

SP Acquisition Holdings, Inc.

Form S-4/A

September 09, 2009

**Table of Contents**

**As filed with the Securities and Exchange Commission on September 9, 2009**

**Registration No. 333-161250**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**AMENDMENT NO. 1 TO  
Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**SP ACQUISITION HOLDINGS, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**6770**

*(Primary Standard Industrial  
Classification Code Number)*

**SP Acquisition Holdings, Inc.**

**590 Madison Avenue**

**32nd Floor**

**New York, New York 10022**

**(212) 520-2300**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**Warren G. Lichtenstein**

**Chairman, President and Chief Executive Officer**

**SP Acquisition Holdings, Inc.**

**590 Madison Avenue**

**32nd Floor**

**New York, New York 10022**

**(212) 520-2300**

**Fax: (212) 520-2343**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

**Copies to:**

**Steven Wolosky**

**Kenneth A. Schlesinger**

**Olshan Grundman Frome**

**Rosenzweig & Wolosky LLP**

**Park Avenue Tower**

**65 East 55th Street**

**New York, New York 10022**

**(212) 451-2300**

**Douglas S. Ellenoff**

**Stuart Neuhauser**

**Asim Grabowski-Shaikh**

**Ellenoff Grossman & Schole LLP**

**150 East 42nd Street**

**New York, New York 10017**

**(212) 370-1300**

**Glen P. Garrison**

**Thomas A. Sterken**

**Keller Rohrbach LLP**

**1201 Third Avenue, Suite 3200**

**Seattle, Washington 98101-3052**

**(206) 623-1900**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective and all other conditions to the merger contemplated by the merger agreement described in the included proxy statement/prospectus have been satisfied or waived.

## Edgar Filing: SP Acquisition Holdings, Inc. - Form S-4/A

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐  
(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ☐

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ☐

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Security(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
Common Stock, \$0.001 par value	2,512,000	N/A	\$34,591,055.11(2)	\$1,930.18(2)(4)
Warrants to purchase shares of Common Stock	2,512,000	N/A	(3)	(3)

- (1) Based upon the maximum number of shares of common stock of SP Acquisition Holdings, Inc. that may be issued in exchange for shares of common stock of Frontier Financial Corporation pursuant to the merger described in the joint proxy statement/prospectus which is a part of this registration statement. Pursuant to Rule 416, this registration statement also covers an indeterminate number of shares of common stock as may become issuable as a result of stock splits, stock dividends, or similar transactions.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended. The proposed maximum aggregate offering price for SP Acquisition Holdings, Inc.'s common stock was calculated based upon the market value of shares of Frontier Financial Corporation common stock (the securities being cancelled in the merger) in accordance with Rules 457(c) and (f) of the Securities Act as follows: the product of (x) \$0.73, the average of the high and low sales prices of Frontier Financial Corporation common stock, as reported on the NASDAQ Global Select Market, on September 1, 2009, and (y) 47,385,007, the estimated maximum number of shares of Frontier Financial Corporation common stock that may be exchanged for shares of common stock of SP Acquisition Holdings, Inc., including 253,154 shares of Frontier Financial Corporation restricted stock which will vest upon consummation of the merger.

(3) The registration fee is calculated in accordance with footnote 2 above. For each share of common stock of Frontier Financial Corporation exchanged in the merger, the holder thereof will be entitled to receive 0.0530 shares of common stock of SP Acquisition Holdings, Inc. and 0.0530 warrants to purchase common stock of SP Acquisition Holdings, Inc.

(4) \$1,722.62 of the registration fee was previously paid on August 11, 2009.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

---

**Table of Contents**

**SP ACQUISITION HOLDINGS, INC.  
590 Madison Avenue  
32nd Floor  
New York, New York 10022**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
To Be Held on [        ], 2009**

To the Stockholders of SP Acquisition Holdings, Inc.:

Notice is hereby given that a special meeting of the stockholders of SP Acquisition Holdings, Inc. ( SPAH ) will be held on [        ], [        ], 2009 at [    ]:00 [    ].m., local time, at [    ]. The special meeting is being called for the following purposes:

- (1) To consider and vote upon a proposal to adopt an amendment to the amended and restated certificate of incorporation of SPAH (the SPAH Certificate of Incorporation ) to eliminate the requirement that the fair market value of the target business equal at least 80% of the balance of SPAH 's trust account, to be effective immediately prior to the consummation of the merger described below ( Proposal No. 1 )
- (2) To consider and vote upon a proposal to adopt an amendment to the SPAH Certificate of Incorporation to provide that SPAH cannot consummate the merger unless up to at least 10% (minus one share) but no more than 30% (minus one share) of SPAH public stockholders are able to exercise their conversion rights, to be effective immediately prior to the consummation of the merger described below ( Proposal No. 2 and, together with Proposal No. 1, the Initial Charter Amendments );
- (3) To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of July 30, 2009, by and between SPAH and Frontier Financial Corporation ( Frontier ), as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 10, 2009, pursuant to which Frontier will merge with and into SPAH, as described in more detail in the accompanying joint proxy statement/prospectus;
- (4) To consider and vote upon a proposal to adopt an amendment to the SPAH Certificate of Incorporation to change SPAH 's corporate name to Frontier Financial Corporation, to be effective upon consummation of the merger (the Name Change Proposal );
- (5) To consider and vote upon a proposal to adopt an amendment to the SPAH Certificate of Incorporation to permit SPAH 's continued existence after October 10, 2009, to be effective upon consummation of the merger (the Continued Existence Proposal );

- (6) To consider and vote upon a proposal to adopt an amendment to the SPAH Certificate of Incorporation to create a new class of common stock of SPAH (Non-Voting Common Stock) to have economic rights but no voting rights, to be effective upon consummation of the merger (the New Class Proposal and, together with the Name Change Proposal and the Continued Existence Proposal, the Subsequent Charter Amendments ); and
- (7) To consider and vote upon a proposal to elect to the Board of Directors of SPAH, Warren G. Lichtenstein, who will serve as Chairman of the Board, and, if the merger is consummated, four directors from Frontier, comprised of Patrick M. Fahey, Lucy DeYoung, Mark O. Zenger and David M. Cuthill, each of whom currently serve on the Board of Directors of Frontier, in each case to serve until the next annual meeting of SPAH and until their successors shall have been elected and qualified.

At the special meeting, we may transact such other business as may properly come before the meeting and any adjournments or postponements thereof.

The SPAH Certificate of Incorporation purports to prohibit amendments to certain of its provisions, including the proposed Initial Charter Amendments, without the unanimous consent of the holders of all of SPAH's outstanding shares of common stock. However, SPAH believes, and has received an opinion from its special

---

**Table of Contents**

Delaware counsel that while the matter has not been settled as a matter of Delaware law and, accordingly, is not entirely free from doubt, the Initial Charter Amendments, if duly approved by a majority of the shares of SPAH's outstanding common stock entitled to vote at the special meeting, will be valid under Delaware law.

Since SPAH's initial public offering prospectus did not disclose that SPAH would seek approval of the Initial Charter Amendments and the New Class Proposal, among other things, each SPAH stockholder at the time of the merger that purchased shares in, or subsequent to, SPAH's initial public offering up to and until the record date, may have securities law claims against SPAH for rescission or damages. See "The Merger and the Merger Agreement - Rescission Rights" for additional information.

Immediately prior to the special meeting of stockholders, SPAH has scheduled a special meeting of warrant holders to consider and vote upon a proposal to amend certain terms of the warrant agreement that governs the terms of SPAH's outstanding warrants to purchase common stock, as more fully described in the accompanying joint proxy statement/prospectus. If the requisite approval is received, the Initial Charter Amendments will be filed with the Delaware Secretary of State immediately upon its approval and prior to the stockholders' consideration of the merger proposal at the special meeting of stockholders. Accordingly, the proposal to adopt the merger agreement will only be presented for a vote at the special meeting if (i) the Initial Charter Amendments are adopted by SPAH stockholders and (ii) the proposal to amend the warrant agreement is approved by SPAH warrant holders. The Subsequent Charter Amendments and the election of the Frontier nominees will only be effected in the event and at the time the merger with Frontier is consummated, although approval of the Subsequent Charter Amendments is a condition to closing the merger. The election of Mr. Lichtenstein does not require the approval of any other proposals to be effective.

SPAH has fixed the close of business on September 17, 2009 as the record date for determining those stockholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements thereof.

If you hold shares of common stock issued in SPAH's initial public offering (whether such shares were acquired pursuant to such initial public offering or afterwards up to and until the record date), then you have the right to vote against the merger proposal and demand that SPAH convert such shares into cash equal to a pro rata share of the aggregate amount then on deposit in the trust account in which a substantial portion of the net proceeds of SPAH's initial public offering are held. For more information regarding your conversion rights, see the discussion under the heading "The Merger and the Merger Agreement - Conversion Rights of SPAH Stockholders" of the accompanying joint proxy statement/prospectus.

Whether or not you plan to attend the special meeting in person, please complete, date, sign and return the enclosed proxy card as promptly as possible. SPAH has enclosed a postage prepaid envelope for that purpose. Any SPAH stockholder may revoke his or her proxy by following the instructions in the joint proxy statement/prospectus at any time before the proxy has been voted at the special meeting. Even if you have given your proxy, you may still vote in person if you attend the special meeting.

SPAH encourages you to vote on these very important matters. The Board of Directors of SPAH unanimously recommends that SPAH stockholders vote "FOR" each of the proposals above.

By Order of the Board of Directors,

Warren G. Lichtenstein  
Chairman, President and Chief Executive  
Officer

[        ], 2009

**Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Stockholders to Be Held on [ ], 2009. This Proxy Statement is available electronically at [ ].**

---



**Table of Contents**

**SP ACQUISITION HOLDINGS, INC.  
590 Madison Avenue  
32nd Floor  
New York, New York 10022**

**PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS  
To Be Held on [        ], 2009**

To the Stockholders of SP Acquisition Holdings, Inc.:

You are cordially invited to attend a special meeting of the stockholders of SP Acquisition Holdings, Inc. ( SPAH ). The special meeting will be held on [        ], [        ], 2009 at [    ]:00 [    ].m., local time, at [    ].

At the special meeting, you will be asked to consider and vote on:

- (1) a proposal to adopt an amendment to the amended and restated certificate of incorporation of SPAH (the SPAH Certificate of Incorporation ) to eliminate the requirement that the fair market value of the target business equal at least 80% of the balance of SPAH 's trust account, effective immediately prior to the consummation of the merger described below (the Proposal No. 1 );
- (2) a proposal to adopt an amendment to the SPAH Certificate of Incorporation to provide that SPAH cannot consummate the merger unless up to at least 10% (minus one share) but no more than 30% (minus one share) of SPAH public stockholders are able to exercise their conversion rights, to be effective immediately prior to the consummation of the merger described below ( Proposal No. 2 and, together with Proposal No. 1, the Initial Charter Amendments );
- (3) a proposal to adopt the Agreement and Plan of Merger, dated as of July 30, 2009, by and between SPAH and Frontier Financial Corporation ( Frontier ), as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 10, 2009, pursuant to which Frontier will merge with and into SPAH (the Merger Proposal );
- (4) a proposal to adopt an amendment to the SPAH Certificate of Incorporation to change SPAH 's corporate name to Frontier Financial Corporation, to be effective upon consummation of the merger (the Name Change Proposal );
- (5) a proposal to adopt an amendment to the SPAH Certificate of Incorporation to permit SPAH 's continued existence after October 10, 2009, to be effective upon consummation of the merger (the Continued Existence Proposal );
- (6) a proposal to adopt an amendment to the SPAH Certificate of Incorporation to create a new class of common stock of SPAH (Non-Voting Common Stock) to have economic rights but no voting rights, to

be effective upon consummation of the merger (the New Class Proposal and, together with the Name Change Proposal and the Continued Existence Proposal, the Subsequent Charter Amendments );

- (7) a proposal to elect to the Board of Directors of SPAH, Warren G. Lichtenstein, who will serve as Chairman of the Board, and, if the merger is consummated, four directors from Frontier, comprised of Patrick M. Fahey, Lucy DeYoung, Mark O. Zenger and David M. Cuthill, each of whom currently serve on the Board of Directors of Frontier, in each case to serve until the next annual meeting of SPAH and until their successors shall have been elected and qualified; and
- (8) any other matters that may properly come before the special meeting or any adjournments or postponements thereof.

The SPAH Certificate of Incorporation purports to prohibit amendments to certain of its provisions, including the proposed Initial Charter Amendments, without the unanimous consent of the holders of all of SPAH's outstanding shares of common stock. However, SPAH believes, and has received an opinion from its special Delaware counsel that while the matter has not been settled as a matter of Delaware law and, accordingly, is not

---

**Table of Contents**

entirely free from doubt, the Initial Charter Amendments, if duly approved by a majority of the shares of SPAH's outstanding common stock entitled to vote at the special meeting, will be valid under Delaware law.

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of SPAH common stock entitled to vote at the special meeting. The SPAH Certificate of Incorporation also requires that the holders of a majority of SPAH's outstanding shares of common stock issued in SPAH's initial public offering are voted, in person or by proxy, in favor of the merger and that such SPAH public stockholders owning no more than 30% (minus one share) of the shares sold in SPAH's initial public offering vote against the merger and thereafter exercise their conversion rights as described below. If Proposal No. 2 is approved and adopted, it is a condition to closing the merger agreement that holders of no more than 10% of the shares (minus one share) sold in SPAH's initial public offering vote against the merger and exercise their conversion rights, although at SPAH's discretion, this closing condition may be waived in order to consummate the merger. Accordingly, SPAH may not consummate the merger if 10% or more of the holders of shares sold in or subsequent to SPAH's initial public offering elect to exercise their conversion rights. If SPAH elects to waive this closing condition, it may raise the conversion threshold to anywhere between 10% to 30% (minus one share). SPAH does not believe it will raise the conversion threshold and currently intends only to raise the conversion threshold if it believes that the combined entity will have sufficient Tier 1 capital to return to compliance levels.

Adoption of the Subsequent Charter Amendments requires the affirmative vote of a majority of the shares of SPAH's outstanding common stock entitled to vote at the special meeting. Directors will be elected by a plurality of the votes cast by stockholders present in person or represented by proxy and entitled to vote at the special meeting.

Since SPAH's initial public offering prospectus did not disclose that SPAH would seek approval of the Initial Charter Amendments and the New Class Proposal, among other things, each SPAH stockholder at the time of the merger that purchased shares in, or subsequent to, SPAH's initial public offering up to and until the record date, may have securities law claims against SPAH for rescission or damages. See "The Merger and the Merger Agreement - Rescission Rights" for additional information.

Immediately prior to the special meeting of stockholders, SPAH has scheduled a special meeting of warrant holders to consider and vote upon a proposal to amend certain terms of the warrant agreement that governs the terms of SPAH's outstanding warrants to purchase common stock, as more fully described in the accompanying joint proxy statement/prospectus. If the requisite approval is received, the Initial Charter Amendments will be filed with the Delaware Secretary of State immediately upon its approval and prior to the stockholders' consideration of the merger proposal at the special meeting of stockholders. Accordingly, the proposal to adopt the merger agreement will only be presented for a vote at the special meeting if (i) the Initial Charter Amendments are adopted by SPAH stockholders and (ii) the proposal to amend the warrant agreement is approved by SPAH warrant holders. The Subsequent Charter Amendments and the election of the Frontier nominees will only be effected in the event and at the time the merger with Frontier is consummated, although approval of the Subsequent Charter Amendments is a condition to closing the merger. The election of Mr. Lichtenstein does not require the approval of any other proposals to be effective.

Only holders of record of SPAH common stock at the close of business on September 17, 2009 are entitled to notice of the special meeting and to vote and have their votes counted at the special meeting and any adjournments or postponements thereof.

If you hold shares of common stock issued in SPAH's initial public offering (whether such shares were acquired pursuant to such initial public offering or afterwards up to and until the record date for the special meeting), then you have the right to vote against the merger proposal and demand that SPAH convert such shares into cash equal to a pro rata share of the aggregate amount then on deposit in the trust account in which a substantial portion of the net proceeds of SPAH's initial public offering are held (before payment of deferred underwriting discounts and

commissions and including interest earned on their pro rata portion of the trust account, net of income taxes payable on such interest and net of interest income of \$3.5 million on the trust account balance previously released to SPAH to fund its working capital requirements). As of September 17, 2009, there was \$[ ] in the trust account, including accrued interest on the funds in the trust account, or approximately \$[ ] per share issued in the initial public offering. The actual conversion price will differ from the \$[ ] per share due to any interest earned on the funds in the trust account since September 17, 2009, and any taxes payable in respect of interest earned thereon.

---

**Table of Contents**

If you wish to exercise your conversion rights, you must:

affirmatively vote against the merger proposal in person or by submitting your proxy card before the vote on the merger proposal and checking the box that states **Against** for the Merger Proposal; and

either:

check the box that states **I HEREBY EXERCISE MY CONVERSION RIGHTS** on the proxy card; or

send a letter to SPAH's transfer agent, Continental Stock Transfer & Trust Company, at 17 Battery Place, 8th Floor, New York, NY 10004, attn: Mark Zimkind, stating that you are exercising your conversion rights and demanding your shares of SPAH common stock be converted into cash; and

either:

physically tender, or if you hold your shares of SPAH common stock in street name, cause your broker to physically tender, your stock certificates representing shares of SPAH common stock to SPAH's transfer agent; or

deliver your shares electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System, to SPAH's transfer agent, in either case by [ ], 2009 or such other later date if the special meeting of SPAH stockholders is adjourned or postponed.

Accordingly, a SPAH stockholder would have from the time we send out this joint proxy statement/prospectus through the vote on the merger to deliver his or her shares if he or she wishes to seek to exercise his or her conversion rights. See Summary Term Sheet The Merger and the Merger Agreement SPAH Conversion Rights and The Merger and the Merger Agreement Conversion Rights of SPAH Stockholders.

Prior to exercising your conversion rights, you should verify the market price of SPAH's common stock, as you may receive higher proceeds from the sale of your common stock in the public market than from exercising your conversion rights. Shares of SPAH's common stock are currently quoted on the NYSE AMEX LLC under the symbol **DSP**. On September 17, 2009, the record date for the special meeting of stockholders, the last sale price of SPAH's common stock was \$[ ]. Your shares will only be converted if the merger is consummated and you voted against the merger and properly demanded conversion rights according to the instructions in this letter and the joint proxy statement/prospectus.

Each of SP Acq LLC, Steel Partners II, L.P. ( **SP II** ) and Anthony Bergamo, Ronald LaBow, Howard M. Lorber, Leonard Toboroff and S. Nicholas Walker, each a director of SPAH, or their permitted transferees (collectively, the SPAH insiders ), previously agreed to vote their 10,822,400 shares of SPAH common stock acquired prior to SPAH's initial public offering (which constitute approximately 20% of SPAH's outstanding shares of common stock), either for or against the Merger Proposal consistent with the majority of the votes cast on the merger by the holders of the shares of common stock issued in, or subsequent to, SPAH's initial public offering. To the extent any SPAH insider or officer or director of SPAH has acquired shares of SPAH common stock in, or subsequent to, SPAH's initial public offering, it, he or she has agreed to vote these acquired shares in favor of the Merger Proposal. As of the date hereof, none of the SPAH insiders or officers or directors of SPAH own any shares sold in, or subsequent to, SPAH's initial public offering. The SPAH insiders have further indicated that they will vote all of their shares in favor of the adoption of the amendments to the SPAH Certificate of Incorporation and for the election of each director nominee to the Board of Directors of SPAH. Pursuant to a plan of reorganization, SP II has contributed certain assets, including its shares of SPAH common stock and warrants, to a liquidating trust. The trust has agreed to assume all of SP II's rights and

obligations with respect to these shares and warrants, including to vote in accordance with the foregoing.

Upon consummation of the merger, SP Acq LLC and Messrs. Bergamo, LaBow, Lorber, Toboroff and Walker have agreed to forfeit an aggregate of 9,453,412 shares purchased prior to SPAH's initial public offering, constituting approximately 17.5% of SPAH's outstanding shares of common stock as of the record date.

The Board of Directors of SPAH has unanimously determined that the proposals and the transactions contemplated thereby are fair to and in the best interests of SPAH and its stockholders. The Board of Directors of SPAH recommends that you vote, or give instruction to vote, **FOR** the adoption of each of the proposals and that you vote in favor of each of the director nominees.

---

**Table of Contents**

The accompanying joint proxy statement/prospectus contains detailed information concerning the Merger Proposal and the transactions contemplated by the merger agreement, as well as detailed information concerning each of the proposals. We urge you to read the joint proxy statement/prospectus and attached annexes carefully.

Your vote is important. Whether or not you plan to attend the special meeting in person, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided.

I look forward to seeing you at the meeting.

By Order of the Board of Directors,

Warren G. Lichtenstein  
Chairman, President and Chief Executive  
Officer

**TAKING ANY ACTION THAT DOES NOT INCLUDE AN AFFIRMATIVE VOTE AGAINST THE MERGER, INCLUDING ABSTAINING FROM VOTING ON THE MERGER PROPOSAL, WILL PREVENT YOU FROM EXERCISING YOUR CONVERSION RIGHTS. YOU MUST AFFIRMATIVELY VOTE AGAINST THE MERGER PROPOSAL IN PERSON OR BY SUBMITTING YOUR PROXY CARD BEFORE THE VOTE ON THE MERGER PROPOSAL TO EXERCISE YOUR CONVERSION RIGHTS. IN ORDER TO CONVERT YOUR SHARES, YOU MUST ALSO EITHER PHYSICALLY TENDER, OR IF YOU HOLD YOUR SHARES OF SPAH COMMON STOCK IN STREET NAME, CAUSE YOUR BROKER TO PHYSICALLY TENDER, YOUR STOCK CERTIFICATES REPRESENTING SHARES OF SPAH COMMON STOCK TO SPAH'S TRANSFER AGENT OR DELIVER YOUR SHARES ELECTRONICALLY USING THE DEPOSITORY TRUST COMPANY'S DWAC SYSTEM, TO SPAH'S TRANSFER AGENT BY [ ], 2009 OR SUCH OTHER LATER DATE IF THE SPECIAL MEETING OF SPAH STOCKHOLDERS IS ADJOURNED OR POSTPONED. FAILURE TO MEET THESE REQUIREMENTS WILL CAUSE YOUR CONVERSION DEMAND TO BE REJECTED. SEE THE SECTIONS ENTITLED SUMMARY TERM SHEET THE MERGER AND THE MERGER AGREEMENT SPAH CONVERSION RIGHTS AND THE MERGER AND THE MERGER AGREEMENT CONVERSION RIGHTS OF SPAH STOCKHOLDERS FOR MORE SPECIFIC INSTRUCTIONS.**

---

**Table of Contents**

**SP ACQUISITION HOLDINGS, INC.  
590 Madison Avenue  
32nd Floor  
New York, New York 10022**

**NOTICE OF SPECIAL MEETING OF WARRANTHOLDERS  
To Be Held on [        ], 2009**

To the Warrantholders of SP Acquisition Holdings, Inc.:

Notice is hereby given that a special meeting of the warrantholders of SP Acquisition Holdings, Inc. ( "SPA" ) will be held on [        ], [        ], 2009 at [        ]:00 [        ].m., local time, at [        ]. The special meeting is being called to consider and vote upon a proposal to amend certain terms of the Amended and Restated Warrant Agreement, dated as of October 4, 2007, by and between SPA and Continental Stock Transfer & Trust Company, which governs the terms of SPA's outstanding warrants to purchase common stock (the "Warrant Agreement"), in connection with the consummation of the transactions contemplated by the Agreement and Plan of Merger, dated as of July 30, 2009, by and between SPA and Frontier Financial Corporation ( "Frontier" ), as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 10, 2009, which, among other things, provides for the merger of Frontier with and into SPA, with SPA being the surviving entity.

The proposed amendment to the Warrant Agreement, to become effective upon consummation of the merger, will:

increase the exercise price of the warrants from \$7.50 per share to \$11.50 per share of SPA common stock;

amend the warrant exercise period to (i) eliminate the requirement that the initial founder's warrants owned by the SPA insiders become exercisable only after the consummation of an initial business combination if and when the last sales price of SPA common stock exceeds \$14.25 per share for any 20 trading days within a 30 trading day period beginning 90 days after such business combination and (ii) extend the expiration date of the warrants to the earlier of (x) seven years from the consummation of the merger or (y) the date fixed for redemption of the warrants set forth in the warrant agreement;

provide for the mandatory downward adjustment of the exercise price for each warrant to reflect any cash dividends paid with respect to the outstanding common stock of SPA;

provide that, in the event an effective registration statement is not in place on the date the warrants are set to expire, the warrants will remain outstanding until 90 days after an effective registration statement is filed, provided, that if SPA has not filed an effective registration statement within 90 days after the expiration date, the warrants shall become exercisable for cash consideration;

provide that no adjustment in the number of shares issuable upon exercise of each warrant will be made as a result of the issuance of SPA shares and warrants to the shareholders of Frontier upon consummation of the merger agreement; and

provide that each warrant will entitle the holder thereof to purchase, in its sole discretion, either one share of voting common stock or one share of non-voting common stock.



At the special meeting, we may transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.

The merger and the transactions contemplated by the merger, as well as the amendment to the Warrant Agreement, are described in the accompanying joint proxy statement/prospectus, which you are encouraged to read in its entirety before voting. Only holders of record of SPAH warrants at the close of business on September 17, 2009 are entitled to notice of the special meeting and to vote and have their votes counted at the special meeting and any adjournments or postponements thereof. The approval of the warrant amendment proposal is a condition to the consummation of the merger discussed above.

---

**Table of Contents**

After careful consideration, SPAH's Board of Directors has determined that the proposals are fair to and in the best interests of SPAH and its warrant holders and unanimously recommends that you vote or give instruction to vote FOR the approval of the amendment proposal.

All SPAH warrant holders are cordially invited to attend the special meeting in person. To ensure your representation at the special meeting, however, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. If you are a warrant holder of record of SPAH, you may also cast your vote in person at the special meeting. If your warrants are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your warrants or, if you wish to attend the meeting and vote in person, obtain a proxy from your broker or bank. If you do not vote or do not instruct your broker or bank how to vote, it will have the same effect as voting against the amendment proposal.

Your vote is important regardless of the number of warrants you own. Whether you plan to attend the special meeting or not, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided. If your warrants are held in street name or are in a margin or similar account, you should contact your broker to ensure that votes related to the warrants you beneficially own are properly counted.

Thank you for your participation. We look forward to your continued support.

By Order of the Board of Directors,

Warren G. Lichtenstein  
Chairman, President and Chief Executive  
Officer

[ ], 2009

**Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Warrant holders to Be Held on [ ], 2009. This Proxy Statement is available electronically at [ ].**

---

**Table of Contents**

**SP ACQUISITION HOLDINGS, INC.  
590 Madison Avenue  
32nd Floor  
New York, New York 10022**

**PROXY STATEMENT FOR SPECIAL MEETING OF WARRANTHOLDERS  
To Be Held on [        ], 2009**

To the Warrantholders of SP Acquisition Holdings, Inc.:

You are cordially invited to attend a special meeting of the warrantholders of SP Acquisition Holdings, Inc. ( SPAH ). The special meeting will be held on [        ], [        ], 2009 at [        ]:00 [        ].m., local time, at [        ].

The special meeting is being called to consider and vote upon a proposal to amend certain terms of the Amended and Restated Warrant Agreement, dated as of October 4, 2007, by and between SPAH and Continental Stock Transfer & Trust Company (the Warrant Agreement ), which governs the terms of SPAH 's outstanding warrants to purchase common stock, in connection with the consummation of the transactions contemplated by the Agreement and Plan of Merger, dated as of July 30, 2009, by and between SPAH and Frontier Financial Corporation ( Frontier ), as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 10, 2009, which provides for the merger of Frontier with and into SPAH, with SPAH being the surviving entity, and for each holder of Frontier common stock to receive 0.0530 shares of common stock and 0.0530 warrants.

The proposed amendment to the Warrant Agreement, to become effective upon consummation of the merger, will:

increase the exercise price of the warrants from \$7.50 per share to \$11.50 per share of SPAH common stock;

amend the warrant exercise period to (i) eliminate the requirement that the initial founder 's warrants owned by the SPAH insiders become exercisable only after the consummation of an initial business combination if and when the last sales price of SPAH common stock exceeds \$14.25 per share for any 20 trading days within a 30 trading day period beginning 90 days after such business combination and (ii) extend the expiration date of the warrants to the earlier of (x) seven years from the consummation of the merger or (y) the date fixed for redemption of the warrants set forth in the warrant agreement;

provide for the mandatory downward adjustment of the exercise price for each warrant to reflect any cash dividends paid with respect to the outstanding common stock of SPAH;

provide that, in the event an effective registration statement is not in place on the date the warrants are set to expire, the warrants will remain outstanding until 90 days after an effective registration statement is filed, provided, that if SPAH has not filed an effective registration statement within 90 days after the expiration date, the warrants shall become exercisable for cash consideration;

provide that no adjustment in the number of shares issuable upon exercise of each warrant will be made as a result of the issuance of SPAH shares and warrants to the shareholders of Frontier upon consummation of the merger agreement; and

provide that each warrant will entitle the holder thereof to purchase, in its sole discretion, either one share of voting common stock or one share of non-voting common stock.

At the special meeting, we may transact such other business as may properly come before the special meeting or any adjournments or postponements thereof. Only holders of record of SPAH warrants at the close of business on September 17, 2009 are entitled to notice of the special meeting and to vote and have their votes counted at the special meeting and any adjournments or postponements thereof. Adoption of the amendment to the Warrant Agreement requires the affirmative vote of a majority of the warrant holders outstanding and entitled to vote at the special meeting. The Warrant Agreement also requires that the holders of a majority of SPAH's outstanding warrants issued in, or subsequent to, SPAH's initial public offering, are voted in favor of the warrant amendment. Each of SPAH's directors and founding stockholders, including SP Acq LLC and Steel Partners II, L.P., or their permitted transferees (the "SPAH insiders"), which own, in the aggregate, 17,822,400 warrants issued prior to

---

**Table of Contents**

consummation of SPAH's initial public offering, or approximately 29.2% of the total warrants outstanding as of September 17, 2009, intend to vote in favor of the warrant amendment proposal.

The approval of the warrant amendment proposal is a condition to the consummation of the merger discussed above. If the merger is consummated, Frontier shareholders will receive approximately 2,512,000 newly issued warrants on the same terms and conditions as the publicly traded warrants, after giving effect to the warrant amendment proposal.

After careful consideration, SPAH's Board of Directors has determined that the proposals are fair to and in the best interests of SPAH and its warrant holders and unanimously recommends that you vote or give instruction to vote FOR the approval of the amendment proposal.

Enclosed is the joint proxy statement/prospectus containing detailed information concerning the amendment proposal, the merger and the transactions contemplated by the merger agreement. We urge you to read the joint proxy statement/prospectus and attached annexes carefully.

Thank you for your participation. We look forward to your continued support.

By Order of the Board of Directors,

Warren G. Lichtenstein  
Chairman, President and Chief Executive  
Officer

**IF YOU RETURN YOUR PROXY CARD WITHOUT AN INDICATION OF HOW YOU WISH TO VOTE, YOUR WARRANTS WILL BE VOTED IN FAVOR OF THE WARRANT AMENDMENT PROPOSAL. IF THE MERGER IS NOT COMPLETED AND SPAH DOES NOT COMPLETE AN INITIAL BUSINESS COMBINATION PRIOR TO OCTOBER 10, 2009, THE WARRANTS WILL EXPIRE WORTHLESS.**

---

**Table of Contents**

**FRONTIER FINANCIAL CORPORATION**

**332 S.W. Everett Mall Way**

**P. O. Box 2215**

**Everett, Washington 98213**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held on [       ], 2009**

To the Shareholders of Frontier Financial Corporation:

Notice is hereby given that a special meeting of the shareholders of Frontier Financial Corporation ( Frontier ) will be held on [       ], [       ], 2009 at [       ]:00 [       ].m., local time, at [       ]. The special meeting is being called to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of July 30, 2009, by and between Frontier and SP Acquisition Holdings, Inc. ( SPAH ), as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 10, 2009, pursuant to which Frontier will merge with and into SPAH, as described in more detail in the accompanying joint proxy statement/prospectus. At the special meeting, we may transact such other business as may properly come before the special meeting and any adjournments or postponements thereof.

Frontier has fixed the close of business on September 17, 2009 as the record date for determining those shareholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements thereof.

Frontier shareholders have the right to dissent from the merger and obtain payment of the fair value of their Frontier shares under Washington law. A copy of the applicable Washington statutory provisions regarding dissenters' rights is attached as Annex F to the accompanying joint proxy statement/prospectus. For details of your dissenters' rights and applicable procedures, please see the discussion under the heading 'The Merger and the Merger Agreement' Frontier Dissenters' Rights of the attached joint proxy statement/prospectus.

Whether or not you plan to attend the special meeting in person, please complete, date, sign and return the enclosed proxy card as promptly as possible. Frontier has enclosed a postage prepaid envelope for that purpose. Any Frontier shareholder may revoke his or her proxy by following the instructions in the joint proxy statement/prospectus at any time before the proxy has been voted at the special meeting. Even if you have given your proxy, you may still vote in person if you attend the special meeting. Please do not send any share certificates to Frontier at this time.

Frontier encourages you to vote on this very important matter. The Board of Directors of Frontier unanimously recommends that Frontier shareholders vote FOR the proposals above.

By Order of the Board of Directors,

Patrick M. Fahey  
Chairman and Chief Executive Officer  
[       ], 2009

**Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Shareholders to Be Held on [        ], 2009. This Proxy Statement is available electronically at [www.frontierbank.com](http://www.frontierbank.com).**

---

**Table of Contents**

**FRONTIER FINANCIAL CORPORATION  
332 S.W. Everett Mall Way  
P. O. Box 2215  
Everett, Washington 98213**

**PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS  
To Be Held on [        ], 2009**

To the Shareholders of Frontier Financial Corporation:

You are cordially invited to attend a special meeting of the shareholders of Frontier Financial Corporation ( "Frontier" ). The special meeting will be held on [        ], [        ], 2009 at [        ]:00 [        ].m., local time, at [        ].

At the special meeting, you will be asked to consider and vote on (i) a proposal to adopt the Agreement and Plan of Merger, dated as of July 30, 2009, by and between Frontier and SP Acquisition Holdings, Inc. ( "SPAH" ), as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 10, 2009; and (ii) any other matters that may properly come before the special meeting and any adjournments or postponements thereof.

Only holders of record of Frontier common stock at the close of business on September 17, 2009 are entitled to notice of the special meeting and to vote and have their votes counted at the special meeting and any adjournments or postponements thereof. Adoption of the merger agreement requires the affirmative vote of at least two-thirds of the outstanding shares of Frontier's outstanding common stock entitled to vote at the special meeting.

If the proposed merger is completed, Frontier shareholders will receive 0.0530 newly issued shares of SPAH common stock and 0.0530 newly issued warrants to purchase SPAH common stock for each share of Frontier common stock they own. Contemporaneously with the Frontier special meeting of stockholders, SPAH has scheduled a special meeting of warrant holders to consider and vote upon a proposal to amend certain terms of the warrant agreement that governs the terms of SPAH's outstanding warrants, as more fully described in the accompanying joint proxy statement/prospectus. If the merger is consummated, Frontier shareholders will receive newly issued warrants on the same terms and conditions as the publicly traded warrants, after giving effect to the warrant amendment proposal. On July 30, 2009, the day before the public announcement of the merger agreement, the closing price of SPAH's common stock on the NYSE AMEX LLC was \$9.75 per share.

Each of Frontier's insiders (including all of Frontier's executive officers and directors) has agreed to vote their 3,103,451 shares of Frontier common stock (which constitute 6.56% of Frontier's outstanding shares of common stock), FOR the merger proposal.

The Frontier Board has unanimously determined that the proposals and the transactions contemplated thereby are fair to and in the best interests of Frontier and its shareholders. The Board recommends that you vote, or give instruction to vote, FOR the adoption of the merger proposal.



Frontier shareholders have the right to dissent from the merger and obtain payment of the fair value of their Frontier shares under Washington law. A copy of the applicable Washington statutory provisions regarding dissenters' rights is attached as Annex F to the accompanying joint proxy statement/prospectus. For details of your dissenters' rights and applicable procedures, please see the discussion under the heading "The Merger and the Merger Agreement - Frontier Dissenters' Rights" of the attached joint proxy statement/prospectus.

Enclosed is a notice of special meeting and the joint proxy statement/prospectus containing detailed information concerning the merger proposal and the transactions contemplated by the merger agreement. We urge you to read the joint proxy statement/prospectus and attached annexes carefully.

---

**Table of Contents**

Your vote is important. Because approval of the merger proposal requires the affirmative vote of at least two-thirds of the outstanding shares entitled to vote at the Frontier special meeting, abstaining from voting (including by way of a broker non-vote), either in person or by proxy, will have the same effect as a vote against approval of the merger agreement. Whether or not you plan to attend the special meeting in person, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided. We look forward to seeing you at the special meeting, and we appreciate your continued loyalty and support. I look forward to seeing you at the meeting.

By Order of the Board of Directors,

Patrick M. Fahey  
Chairman and Chief Executive Officer

---

**Table of Contents**

The information in this joint proxy statement/prospectus is not complete and may be changed. We may not issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO AMENDMENT AND COMPLETION, DATED SEPTEMBER 9, 2009**

**PROXY STATEMENT FOR THE SPECIAL MEETINGS OF STOCKHOLDERS AND  
WARRANTHOLDERS OF SP ACQUISITION HOLDINGS, INC.**

**PROXY STATEMENT FOR THE SPECIAL MEETING OF SHAREHOLDERS  
OF FRONTIER FINANCIAL CORPORATION**

**PROSPECTUS FOR UP TO 2,512,000 SHARES OF COMMON STOCK AND  
UP TO 2,512,000 WARRANTS TO PURCHASE COMMON STOCK  
OF SP ACQUISITION HOLDINGS, INC.**

The Boards of Directors of SP Acquisition Holdings, Inc., a blank check company organized under the laws of the State of Delaware ( " SPAH " ), and Frontier Financial Corporation, a Washington corporation ( " Frontier " ), have unanimously agreed to a merger of our companies. If the proposed merger is completed, Frontier shareholders will receive 0.0530 shares of SPAH common stock and 0.0530 warrants to purchase common stock of SPAH for each share of Frontier common stock they own. This 0.0530 multiple is referred to as the exchange ratio.

SPAH was formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or similar business combination, one or more businesses or assets. Its common stock and warrants are listed on the NYSE AMEX LLC under the symbols DSP and DSP.W, respectively. Frontier is a bank holding company that directly owns 100% of Frontier Bank, a Washington state chartered commercial bank. Frontier's common stock is quoted on the NASDAQ Stock Market LLC under the symbol FTBK. Frontier's common stock will no longer be traded following the consummation of the merger. The parties intend to seek to have the common stock and warrants of SPAH listed on the NYSE AMEX LLC following consummation of the merger under the symbol [ ]. However, there is no assurance that the common stock and warrants will be listed on any exchange following consummation of the merger.

Based on the closing price of SPAH's common stock and warrants on September 17, 2009 of \$[ ] and \$[ ], respectively, Frontier shareholders will receive approximately \$[ ] worth of SPAH's common stock and \$[ ] worth of SPAH's warrants for each share of Frontier stock they own. The actual value of the SPAH common stock and warrants received by Frontier shareholders in the merger will depend on the market value of SPAH common stock and warrants at the time of closing.

We expect that the Frontier shareholders will hold approximately 2,512,000 or 5.0% of the outstanding shares of SPAH common stock and approximately 2,512,000 or 3.8% of the outstanding warrants of SPAH on a fully diluted basis immediately following the consummation of the merger, based on the number of shares of SPAH common stock outstanding as of September 17, 2009, after giving effect to the forfeiture of 9,453,412 shares of common stock by certain insiders of SPAH and the co-investment by an affiliate of Steel Partners II, L.P. to purchase 3,000,000 units, each consisting of one share of common stock and one warrant it previously agreed to purchase at \$10.00 per unit (\$30.0 million in the aggregate) in a private placement that will occur immediately prior to the consummation of the merger. This private placement is referred to as the co-investment.

This joint proxy statement/prospectus provides detailed information about the merger, the special meeting of SPAH stockholders, the special meeting of SPAH warrant holders and the special meeting of Frontier shareholders. At the SPAH and Frontier stockholders meetings, stockholders are being asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of July 30, 2009, by and between Frontier and SPAH, as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 10, 2009, pursuant to which Frontier will merge with and into SPAH (the "merger proposal"). SPAH is also asking its stockholders to approve other matters in connection with the merger, that are described in this joint proxy statement/prospectus, including certain amendments to SPAH's Amended and Restated Certificate of Incorporation (the "SPAH Certificate of Incorporation") and the election of directors to the Board of Directors of SPAH. SPAH is asking its stockholders to approve certain amendments to the SPAH Certificate of Incorporation because in its current form, the SPAH Certificate of Incorporation does not allow for SPAH to complete the proposed merger. At the SPAH warrant holders' meeting, warrant holders are being asked to amend certain terms of the Amended and Restated Warrant Agreement, which governs the terms of SPAH's outstanding warrants. If the merger is consummated, Frontier shareholders will receive warrants on the same terms and conditions as the publicly traded warrants, after giving effect to the warrant amendment proposal. Each SPAH public stockholder may have securities law claims against SPAH for rescission or damages on the basis that SPAH is seeking to take certain

---

**Table of Contents**

action that may be inconsistent with the disclosure provided in its initial public offering prospectus. See The Merger and the Merger Agreement Rescission Rights for additional information.

As described in this joint proxy statement/prospectus, we cannot complete the merger unless SPAH stockholders approve the amendments to the SPAH Certificate of Incorporation, holders of no more than 10% of the shares (minus one share) sold in SPAH's initial public offering vote against the merger and exercise their conversion rights (unless SPAH waives this condition), stockholders of both SPAH and Frontier approve the merger proposal, SPAH warrant holders approve the warrant amendment proposal, SPAH's application to become a bank holding company is approved, and we obtain the necessary government approvals, among other things.

The businesses and operations of Frontier and its subsidiary, Frontier Bank, are currently subject to several regulatory actions. Frontier's management believes it has addressed many of the concerns and is in compliance with most of the regulatory requirements, other than to increase its Tier 1 capital. However, Frontier may not be able to satisfy all regulatory requirements prior to the consummation of the merger, which could limit Frontier's growth and adversely affect its earnings, businesses and operations. In addition, failure to comply with these regulatory actions or any future actions could result in further regulatory actions or restrictions, including monetary penalties and the potential closure of Frontier Bank.

**Please carefully review and consider this joint proxy statement/prospectus which explains the merger proposal in detail, including the discussion under the heading Risk Factors beginning on page 33.** It is important that your shares are represented at your stockholders' or warrant holders' meeting, whether or not you plan to attend. Accordingly, please complete, date, sign, and return promptly your proxy card in the enclosed envelope. You may attend the meeting and vote your shares in person if you wish, even if you have previously returned your proxy.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

SPAH consummated its initial public offering on October 16, 2007. UBS Investment Bank, Ladenburg Thalmann & Co. Inc. and Jefferies & Company, the underwriters of SPAH's initial public offering, may provide assistance to SPAH, Frontier and their respective directors and executive officers, and may be deemed to be participants in the solicitation of proxies. Approximately \$17.3 million of the underwriters' discounts and commissions relating to SPAH's initial public offering were deferred pending stockholder approval of SPAH's initial business combination and will be released to the underwriters upon consummation of the merger. SPAH is in negotiation with its underwriters regarding the amount and form of payment of such deferred underwriting fees from SPAH's initial public offering. As of the date hereof, SPAH believes that the underwriting fees will be reduced by approximately \$3.65 million and SPAH will continue to negotiate a further reduction of such fees until a mutual settlement can be reached. The results of these negotiations are uncertain since the underwriters can discontinue negotiations with SPAH at any time and require the full amount of their fees payable upon consummation of the merger. If the merger is not consummated and SPAH is required to be liquidated, the underwriters will not receive any of such fees. Stockholders are advised that the underwriters have a financial interest in the successful outcome of the proxy solicitation. In addition, Frontier engaged Sandler O'Neill & Partners, L.P. (Sandler O'Neill) as a financial advisor to assist Frontier in pursuing all strategic alternatives. As part of such engagement, Sandler O'Neill has provided, and Frontier expects that Sandler O'Neill will continue to provide, financial advisory services to Frontier in connection with the proposed merger. Therefore, Sandler O'Neill may be deemed to be a participant in the solicitation of proxies. Sandler O'Neill has received a fee of \$500,000 and upon consummation of the merger, will receive \$9.5 million payable at the closing of the merger. Stockholders are advised that Sandler O'Neill has a financial interest in the successful outcome of the merger.

This joint proxy statement/prospectus is dated September [ ], 2009 and is first being mailed to SPAH and Frontier stockholders and SPAH warrant holders on or about September [ ], 2009.

---

**Table of Contents**

**Table of Contents**

	<b>Page</b>
<u>GENERAL QUESTIONS AND ANSWERS</u>	1
<u>QUESTIONS AND ANSWERS FOR SPAH STOCKHOLDERS</u>	5
<u>QUESTIONS AND ANSWERS FOR SPAH WARRANTHOLDERS</u>	16
<u>QUESTIONS AND ANSWERS FOR FRONTIER SHAREHOLDERS</u>	19
<u>SUMMARY TERM SHEET</u>	22
<u>RISK FACTORS</u>	33
<u>Risks Related to the Business of Frontier</u>	33
<u>Risks Related to the Merger</u>	39
<u>Risks Related To SPAH</u>	50
<u>FORWARD LOOKING STATEMENTS</u>	55
<u>SELECTED HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL DATA</u>	56
<u>Selected Summary Historical Consolidated Financial Information of Frontier</u>	56
<u>Selected Historical Financial Information of SPAH</u>	57
<u>Selected Unaudited Condensed Combined Pro Forma Financial Information</u>	58
<u>COMPARATIVE PER SHARE DATA</u>	61
<u>THE MERGER AND THE MERGER AGREEMENT</u>	62
<u>Background of the Merger</u>	62
<u>Reasons of SPAH for the Merger</u>	66
<u>Consequences to SPAH if the Merger Proposal is Not Approved</u>	67
<u>Interests of SPAH's Directors and Officers and Others in the Merger</u>	68
<u>Transfer Restrictions of SPAH Insiders upon Consummation of the Merger</u>	68
<u>Conversion Rights of SPAH Stockholders</u>	69
<u>Actions That May Be Taken to Secure Approval of SPAH Stockholders</u>	71
<u>Rescission Rights</u>	72
<u>Reasons of Frontier for the Merger</u>	73
<u>Engagement of Financial Advisors</u>	75
<u>Opinion of Keefe Bruyette</u>	75
<u>Certain Benefits of Directors and Officers of Frontier</u>	81
<u>Frontier Dissenters' Rights</u>	82
<u>The Co-Investment</u>	83
<u>Stock Ownership of Existing SPAH and Frontier Stockholders After the Merger</u>	84
<u>The SPAH Board After the Merger</u>	86
<u>The Frontier Bank Board After the Merger</u>	86
<u>Management and Operations After the Merger</u>	87
<u>Frontier Support Agreement</u>	88
<u>Frontier Lock-Up Agreements</u>	88
<u>Accounting Treatment of the Merger</u>	88
<u>Regulatory Filings and Approvals Required to Complete the Merger</u>	88
<u>The Merger Agreement</u>	89
<u>THE SPECIAL MEETING OF SPAH STOCKHOLDERS</u>	99

**Table of Contents**

	<b>Page</b>
<u>General</u>	99
<u>Meeting Date, Time, and Place and Record Date</u>	99
<u>Matters to Be Considered</u>	99
<u>Vote Required</u>	100
<u>Voting</u>	101
<u>Quorum</u>	102
<u>Voting of Proxies</u>	102
<u>Revocability of Proxies</u>	102
<u>Solicitation of Proxies</u>	103
<u>Conversion Rights of SPAH Stockholders</u>	103
<u>Submission of SPAH Stockholders Proposals</u>	105
<u>Recommendation of the SPAH Board</u>	105
<u>PROPOSALS TO BE CONSIDERED BY SPAH STOCKHOLDERS</u>	106
<u>Proposal Nos. 1 and 2: Initial Charter Amendments</u>	106
<u>Proposal No. 3: The Merger Agreement</u>	108
<u>Proposal No. 4: The Subsequent Charter Amendments</u>	109
<u>Proposal No. 5: The Election of Directors</u>	110
<u>THE SPECIAL MEETING OF SPAH WARRANTHOLDERS AND THE WARRANT AMENDMENT PROPOSAL</u>	112
<u>General</u>	112
<u>Meeting Date, Time and Place and Record Date</u>	112
<u>Matters to Be Considered</u>	112
<u>Reasons for the Amendment</u>	113
<u>Vote Required</u>	114
<u>Voting</u>	114
<u>Quorum</u>	114
<u>Abstentions and Broker Non-Votes</u>	115
<u>Revoking Your Proxy</u>	115
<u>Proxy Solicitation Costs</u>	115
<u>Recommendation of the SPAH Board</u>	115
<u>THE SPECIAL MEETING OF FRONTIER SHAREHOLDERS AND THE MERGER PROPOSAL</u>	116
<u>General</u>	116
<u>Meeting Date, Time, and Place and Record Date</u>	116
<u>Matters to be Considered</u>	116
<u>Vote Required</u>	116
<u>Quorum</u>	116
<u>Voting of Proxies</u>	116
<u>Revocability of Proxies</u>	117
<u>Dissenters' Rights</u>	117
<u>Solicitation of Proxies</u>	117
<u>Recommendation of the Frontier Board</u>	118



**Table of Contents**

	<b>Page</b>
<b><u>INFORMATION ABOUT SPAH</u></b>	118
<u>General</u>	118
<u>Trust Account</u>	119
<u>Fair Market Value of Target Business</u>	120
<u>Opportunity for Stockholder Approval of Business Combination</u>	120
<u>Liquidation If No Business Combination</u>	121
<u>Competition</u>	122
<u>Employees</u>	123
<u>Properties</u>	123
<u>Legal Proceedings</u>	123
<u>Periodic Reporting and Financial Information</u>	123
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	123
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	126
<u>Directors and Executive Officers</u>	127
<u>Number and Terms of Office of Directors</u>	130
<u>Executive Officer Compensation</u>	130
<u>Director Independence</u>	130
<u>SPAH Board Committees</u>	130
<u>Audit Committee</u>	130
<u>Governance and Nominating Committee</u>	131
<u>Code of Ethics and Committee Charters</u>	131
<u>Conflicts of Interest</u>	131
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	132
<u>Executive Compensation</u>	133
<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	133
<u>Transfer Restrictions</u>	139
<u>Certain Relationships, Related Transactions and Director Independence</u>	140
<u>Changes in Registrant's Certifying Accountant</u>	142
<b><u>INFORMATION ABOUT FRONTIER</u></b>	143
<u>Frontier</u>	143
<u>Frontier Bank</u>	143
<u>Banking Services</u>	143
<u>Lending Activities</u>	144
<u>Investment Activities</u>	147
<u>Deposit Activities and Other Funding Sources</u>	147
<u>Other Financial Services</u>	148
<u>Business Strategy</u>	148
<u>Competition</u>	148
<u>Regulation and Supervision</u>	149
<u>Employees</u>	153
<u>Properties</u>	153
<u>Legal Proceedings</u>	153
<u>Corporate Information</u>	153

**Table of Contents**

	<b>Page</b>
<u>Management's Discussion &amp; Analysis of Financial Condition and Results of Operations</u>	154
<u>Recent Accounting Pronouncements</u>	177
<u>Certain Beneficial Ownership of Frontier Common Stock</u>	177
<u>Executive Compensation Discussion and Analysis</u>	179
<u>Related Party Transactions and Business Relationships</u>	190
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES</u>	191
<u>SUPERVISION AND REGULATION</u>	194
<u>COMPARATIVE RIGHTS OF SPAH AND FRONTIER</u>	204
<u>COMPARATIVE MARKET PRICE AND DIVIDENDS</u>	216
<u>UNAUDITED CONDENSED COMBINED PRO FORMA FINANCIAL DATA</u>	218
<u>DESCRIPTION OF SECURITIES OF SPAH</u>	229
<u>Units</u>	229
<u>Common Stock</u>	230
<u>Preferred Stock</u>	231
<u>Warrants</u>	232
<u>Dividends</u>	235
<u>Registration Rights</u>	235
<u>SPAH'S Transfer Agent and Warrant Agent</u>	236
<u>Certain Anti-Takeover Provisions In the SPAH Certificate of Incorporation and SPAH Bylaws</u>	236
<u>LEGAL MATTERS</u>	236
<u>EXPERTS</u>	237
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	237
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1
<u>EX-5.1</u>	
<u>EX-8.2</u>	
<u>EX-10.13</u>	
<u>EX-23.4</u>	
<u>EX-23.5</u>	

Annex A	Agreement and Plan of Merger, dated as of July 30, 2009, as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 10, 2009.
Annex B	Form of Certificate of Amendment to Amended and Restated Certificate of Incorporation of SP Acquisition Holdings, Inc.
Annex C	Form of Second Amended and Restated Certificate of Incorporation of SP Acquisition Holdings, Inc.
Annex D	Form of Supplement and Amendment to Amended and Restated Warrant Agreement
Annex E	Fairness Opinion of Keefe, Bruyette & Woods, Inc.
Annex F	Excerpt of Washington Law on Dissenters' Rights
Annex G	Opinion of Morris James LLP
Annex H	Form of Proxy for SP Acquisition Holdings, Inc. Special Meeting of Stockholders
Annex I	Form of Proxy for SP Acquisition Holdings, Inc. Special Meeting of Warrantholders
Annex J	Form of Proxy for Frontier Financial Corporation Special Meeting of Shareholders

**Table of Contents**

*In this joint proxy statement/prospectus, except as otherwise indicated herein, or as the context may otherwise require, (i) all references to SPAH refer to SP Acquisition Holdings, Inc., (ii) all references to Frontier refer to Frontier Financial Corporation together with its subsidiary, Frontier Bank, (iii) all references to the SPAH Board refer to the Board of Directors of SPAH, (iv) all references to the Frontier Board refer to the Board of Directors of Frontier, (v) all references to SP II refer to Steel Partners II, L.P., (vi) all references to the Steel Trust refer to Steel Partners II Liquidating Series Trust Series F, a liquidating trust established for the purpose of effecting the orderly liquidation of certain assets of SP II, (vii) all references to the SPAH insiders refer to SP Acq LLC, SP II, Anthony Bergamo, Ronald LaBow, Howard M. Lorber, Leonard Toboroff and S. Nicholas Walker or each of their permitted transferees, (viii) all references to the SPAH public stockholders refer to purchasers of SPAH's securities by persons other than SPAH's insiders in, or subsequent to, SPAH's initial public offering, (ix) all references to the SPAH Certificate of Incorporation refer to the Amended and Restated Certificate of Incorporation of SPAH, (x) all references to the merger agreement refer to the Agreement and Plan of Merger, dated as of July 30, 2009, by and between SPAH and Frontier, as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 10, 2009, (xi) all references to the merger refer to the merger of SPAH and Frontier pursuant to the terms and conditions of the merger agreement, and (xii) all references to the Frontier insiders refer to all of Frontier's officers, directors and stockholders beneficially owning 5% or more of Frontier's outstanding common stock (other than Barclay's Global Investors, State Street Bank and Trust Company and other institutional investors).*

**GENERAL QUESTIONS AND ANSWERS**

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: SPAH and Frontier have agreed to combine their businesses under the terms of a merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is attached to this joint proxy statement/prospectus as Annex A.

In order to complete the merger, SPAH must register the shares of SPAH common stock and SPAH warrants to be issued in the merger, and both SPAH stockholders and Frontier shareholders must adopt the merger agreement, among other things. SPAH will hold a special meeting of its stockholders and Frontier will hold a special meeting of its shareholders to obtain these approvals. SPAH is also asking its stockholders to approve other matters at the SPAH special meeting of stockholders that are described in this joint proxy statement/prospectus, including certain amendments to the SPAH Certificate of Incorporation, and the election of directors to the SPAH Board.

SPAH warrant holders are being asked to consider and vote upon a proposal to amend certain terms of the Amended and Restated Warrant Agreement, dated as of October 4, 2007, by and between SPAH and Continental Stock Transfer & Trust Company (the Warrant Agreement). Upon consummation of the merger, Frontier shareholders will receive warrants on the same terms and conditions as the publicly traded warrants, after giving effect to the warrant amendment proposal.

This joint proxy statement/prospectus contains important information about the merger and the special meetings of each of SPAH and Frontier, and we recommend you read it carefully.

**Q: Why is Frontier merging with and into SPAH?**

A: SPAH is proposing to acquire Frontier pursuant to the merger agreement. SPAH believes that Frontier, a registered bank holding company, is positioned for significant growth in its current and expected future markets and believes that a business combination with Frontier will provide SPAH stockholders with an opportunity to

participate in a company with significant potential. The Frontier Board believes the merger provides Frontier shareholders with the potential to participate in a newly-capitalized company with the ability to take advantage of growth opportunities.

If the merger proposal and related proposals are approved by the stockholders of SPAH and Frontier and the other conditions to completion of the merger are satisfied, including receipt of all necessary government approvals, Frontier will merge with and into SPAH, and SPAH will survive the merger.

## **Table of Contents**

Frontier is a Washington corporation which was incorporated in 1983 and is registered as a bank holding company under the Bank Holding Company Act of 1956 (the "BHC Act"). Frontier has one operating subsidiary, Frontier Bank, which is engaged in a general banking business and in businesses related to banking. Frontier is headquartered in Everett, Snohomish County, Washington. Frontier Bank was founded in September 1978, by Robert J. Dickson and local business persons and is an insured bank as defined in the Federal Deposit Insurance Act. Frontier engages in general banking business in Washington and Oregon, including the acceptance of demand, savings and time deposits and the origination of loans. As of June 30, 2009, Frontier serves its customers from fifty-one branches (with the downtown Poulsbo branch scheduled to close in October). Frontier had deposits of approximately \$3.2 billion, net loans of \$3.3 billion, assets of \$4.0 billion and equity of \$269.5 million, at June 30, 2009.

SPAH is a blank check company organized to effect an acquisition, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination, of one or more businesses or assets. SPAH consummated its initial public offering on October 16, 2007, generating gross proceeds of approximately \$439,896,000 from its initial public offering and sale of warrants (the "additional founder's warrants") in a private transaction to SP Acq LLC immediately prior to the initial public offering. SP Acq LLC, which is controlled by Warren G. Lichtenstein, SPAH's Chairman, President, and Chief Executive Officer, is a holding company founded to form SPAH and hold an investment in SPAH's units issued prior to SPAH's initial public offering (the "founder's units"), consisting of shares of common stock (the "founder's shares") and warrants (the "initial founder's warrants"). SP Acq LLC has sold a total of 500,000 founder's units to Anthony Bergamo, Ronald LaBow, Howard M. Lorber, Leonard Toboroff and S. Nicholas Walker, each a director of SPAH, and has sold 668,988 founder's units to SP II, an affiliate of SP Acq LLC.

Net proceeds of approximately \$425,909,120 were deposited into a trust account, which SPAH intends to use to complete the merger and make payment of the deferred underwriting commissions and discounts. In the event SPAH is unable to complete the merger or another business combination by October 10, 2009, the funds in the trust account will be distributed to the SPAH public stockholders. As of September 17, 2009, the balance in the trust account was approximately \$[ ] million, including approximately \$17.3 million of deferred underwriting discounts and commissions. SPAH is in negotiation with its underwriters regarding the amount and form of payment of such deferred underwriting fees from SPAH's initial public offering. As of the date hereof, SPAH believes that the underwriting fees will be reduced by approximately \$3.65 million and SPAH will continue to negotiate a further reduction of such fees until a mutual settlement can be reached. The results of these negotiations are uncertain since the underwriters can discontinue negotiations with SPAH at any time and require the full amount of their fees payable upon consummation of the merger.

In connection with the initial public offering, SP II previously agreed to purchase an aggregate of 3,000,000 units (the "co-investment units") at \$10.00 per unit (\$30.0 million in the aggregate) in a private placement that will occur immediately prior to the consummation of the merger. Pursuant to a plan of reorganization, SP II has contributed certain assets to the Steel Trust, a liquidating trust established for the purpose of effecting the orderly liquidation of such assets. As a result, all of the founder's shares and initial founder's warrants owned by SP II have been transferred to the Steel Trust in a private transaction exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). The Steel Trust has agreed to assume all of SP II's rights and obligations with respect to the founder's shares and initial founder's warrants, as more fully described elsewhere in this joint proxy statement/prospectus, including the obligation to purchase the co-investment units. The proceeds from the sale of the co-investment units will provide us with additional equity capital to fund the merger.

**Q: How do the Board of Directors of each of SPAH and Frontier recommend that I vote on the merger?**

- A: You are being asked to vote **FOR** the approval of the merger of Frontier with and into SPAH pursuant to the terms of the merger agreement. The Board of Directors of each of SPAH and Frontier has unanimously determined that the proposed merger is in the best interests of its stockholders, unanimously approved the merger agreement and unanimously recommend that its stockholders vote **FOR** the approval of the merger.

**Table of Contents**

**Q: When do you expect to complete the merger?**

A: We presently expect to complete the merger in the fourth quarter of 2009. However, we cannot assure you when or if the merger will occur. We must first obtain the approval of SPAH and Frontier stockholders at the special meetings, and receive the necessary regulatory approvals, among other things. Pursuant to the SPAH Certificate of Incorporation, if SPAH does not consummate an initial business combination by October 10, 2009, SPAH will be required to liquidate and dissolve and the SPAH public stockholders would be entitled to participate in liquidation distributions from SPAH's trust account with respect to their shares.

**Q: What should I do now?**

A: After you have carefully read this joint proxy statement/prospectus, please indicate on your proxy card how you want to vote, and then date, sign and mail your proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the meeting. If you date, sign and send in a proxy card but do not indicate how you want to vote, your proxy will be voted in favor of the merger proposal.

**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

A: It depends. A broker holding your shares in street name must vote those shares according to any specific instructions it receives from you. You should instruct your broker how to vote your shares following the directions your broker provides. If specific instructions are not received, in certain limited circumstances your broker may vote your shares in its discretion. On certain routine matters, brokers have authority to vote their customers' shares if their customers do not provide voting instructions. When brokers vote their customers' shares on a routine matter without receiving voting instructions, these shares are counted both for establishing a quorum to conduct business at the meeting and in determining the number of shares voted FOR or AGAINST the routine matter. On non-routine matters, brokers cannot vote the shares on that proposal if they have not received voting instructions from the beneficial owner of such shares. If you hold your shares in street name, you can either obtain physical delivery of the shares into your name, and then vote your shares yourself, or request a legal proxy directly from your broker and bring it to the special meeting, and then vote your shares yourself. In order to obtain shares directly into your name, you must contact your brokerage house representative. Brokerage firms may assess a fee for your conversion; the amount of such fee varies from firm to firm.

*SPAH.* If you do not provide your broker with voting instructions, your broker may vote your shares at its discretion with regard to the election of directors to the SPAH Board, since these matters are routine. However, your broker may not vote your shares, unless you provide voting instructions, with regard to adoption of the merger agreement, or the adoption of the amendments to the SPAH Certificate of Incorporation, since these matters are not routine. Failure to instruct your broker how to vote your shares will have the same effect as a vote against the adoption of the merger agreement and the adoption of the amendments to the SPAH Certificate of Incorporation, but will have no effect on the election of directors to the SPAH Board.

*Frontier.* Your broker may not vote your shares, unless you provide voting instructions, with regard to approval of the merger proposal, since this matter is not routine. Failure to instruct your broker how to vote your shares will have the same effect as a vote against the merger proposal.

**Q: Can I change my vote after I have submitted my proxy?**

A: Yes. There are a number of ways you can change your vote. First, you may send a written notice to the person to whom you submitted your proxy stating that you would like to revoke your proxy. Second, you may complete

and submit a later-dated proxy with new voting instructions. The latest vote actually received by SPAH or Frontier prior to the special meetings will be your vote. Any earlier votes will be revoked. Third, you may attend the special meeting and vote in person. Any earlier votes will be revoked. Simply attending the special meeting without voting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions you will receive from your broker to change or revoke your proxy.



**Table of Contents**

**Q: What should I do if I receive more than one set of voting materials?**

A: You may receive more than one set of voting materials, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares or warrants in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares or warrants. If you are a holder of record and your shares or warrants are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive in order to cast your vote with respect to all of your shares and/or warrants.

**Q: Whom should I contact with questions about the merger?**

A: If you want additional copies of this joint proxy statement/prospectus, or if you want to ask questions about the merger or the transactions contemplated by the merger agreement, you should contact:

**SP Acquisition Holdings, Inc.  
590 Madison Avenue  
32nd Floor  
New York, New York 10022  
Attn: John McNamara  
(212) 520-2300**

**Frontier Financial Corporation  
332 S.W. Everett Mall Way  
P. O. Box 2215  
Everett, Washington 98213  
Attn: Carol E. Wheeler  
Chief Financial Officer  
(425) 514-0700**

**Table of Contents**

**QUESTIONS AND ANSWERS FOR SPAH STOCKHOLDERS**

**Q: When and where is the SPAH special meeting of stockholders?**

A: The special meeting of SPAH stockholders will be held on [ ], [ ], 2009 at [ ]:00 [ ].m., local time, at [ ].

**Q: How can I attend the SPAH special meeting?**

A: SPAH stockholders as of the close of business on September 17, 2009, and those who hold a valid proxy for the special meeting are entitled to attend the SPAH special meeting. SPAH stockholders should be prepared to present photo identification for admittance. In addition, names of record holders will be verified against the list of record holders on the record date prior to being admitted to the meeting. SPAH stockholders who are not record holders but who hold shares through a broker or nominee (i.e., in street name), should provide proof of beneficial ownership on the record date, such as a most recent account statement prior to September 17, 2009, or other similar evidence of ownership. If SPAH stockholders do not provide photo identification or comply with the other procedures outlined above upon request, they will not be admitted to the SPAH special meeting.

The SPAH special meeting will begin promptly at [ ] [ ].m., local time. Check-in will begin at [ ] [ ].m., local time, and you should allow ample time for the check-in procedures.

**Q: What is being proposed, other than the merger, to be voted on at the SPAH special meeting?**

A: SPAH's stockholders are being asked to:

adopt an amendment to the SPAH Certificate of Incorporation to eliminate the requirement that the fair market value of the target business equal at least 80% of the balance of SPAH's trust account, (excluding underwriting discounts and commissions) plus the proceeds of the co-investment, to be effective immediately prior to the consummation of the merger to be effective immediately prior to the consummation of the merger described below ( Proposal No. 1 );

adopt an amendment to the SPAH Certificate of Incorporation to provide that SPAH cannot consummate the merger unless up to at least 10% (minus one share) but no more than 30% (minus one share) of SPAH public stockholders are able to exercise their conversion rights, to be effective immediately prior to the consummation of the merger described below ( Proposal No. 2 and, together with Proposal No. 1, the Initial Charter Amendments );

adopt an amendment to the SPAH Certificate of Incorporation to change SPAH's corporate name to Frontier Financial Corporation, to be effective upon consummation of the merger (the Name Change Proposal );

adopt an amendment to the SPAH Certificate of Incorporation to permit SPAH's continued existence after October 10, 2009, to be effective upon consummation of the merger (the Continued Existence Proposal );

adopt an amendment to the SPAH Certificate of Incorporation to create a new class of common stock of SPAH (the Non-Voting Common Stock ), which will have economic rights but no voting rights, to be effective upon consummation of the merger (the New Class Proposal and, together with the Name Change Proposal and the Continued Existence Proposal, the Subsequent Charter Amendments ); and

elect to the SPAH Board, Warren G. Lichtenstein, who will serve as Chairman of the Board, and, if the merger is consummated, four directors from Frontier, comprised of Patrick M. Fahey, Lucy DeYoung, Mark O. Zenger and David M. Cuthill, each of whom currently serve on the Frontier Board, in each case to serve until the next annual meeting of SPAH and until their successors shall have been elected and qualified.

At the special meeting, SPAH may also transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.

The SPAH Certificate of Incorporation purports to prohibit amendments to certain of its provisions, including the proposed Initial Charter Amendments, without the unanimous consent of the holders of all of SPAH's outstanding shares of common stock. However, SPAH believes, and has received an opinion from its special Delaware counsel that while the matter has not been settled as a matter of Delaware law and, accordingly, is not

**Table of Contents**

entirely free from doubt, the Initial Charter Amendments, if duly approved by a majority of the shares of SPAH's outstanding common stock entitled to vote at the special meeting, will be valid under Delaware law.

Since SPAH's initial public offering prospectus did not disclose that SPAH would seek approval of the Initial Charter Amendments and the New Class Proposal, among other things, each SPAH stockholder at the time of the merger that purchased shares in, or subsequent to, SPAH's initial public offering up to and until the record date, may have securities law claims against SPAH for rescission or damages. See "The Merger and the Merger Agreement - Rescission Rights" for additional information.

**Q: Are the proposals conditioned on one another?**

A: Yes. Unless SPAH and Frontier agree otherwise, the merger proposal will only be presented for a vote at the special meeting if (i) the Initial Charter Amendments are approved by SPAH stockholders and (ii) the proposal to amend SPAH's Warrant Agreement is approved at the special meeting of SPAH warrant holders to be held immediately prior to the special meeting of SPAH stockholders. The Subsequent Charter Amendments and the election of the Frontier nominees will only be effected in the event and at the time the merger with Frontier is consummated, although approval of the Subsequent Charter Amendments is a condition to closing the merger. The election of Mr. Lichtenstein does not require the approval of any other proposals to be effective.

**Q: Why is SPAH proposing the Initial Charter Amendments?**

A: SPAH is proposing Proposal No. 1 to amend the definition of an "initial business combination" to eliminate the requirement that the fair market value of the target business equal at least 80% of the balance of SPAH's trust account (excluding underwriting discounts and commissions) plus the proceeds of the co-investment. Because the fair market value of Frontier on the date of the merger will be less than 80% of the balance of the trust account (excluding underwriting discounts and commissions) plus the proceeds of the co-investment, the proposed merger does not meet the fair market value requirement. Accordingly, SPAH must amend the SPAH Certificate of Incorporation immediately prior to presenting the merger proposal for a vote at the special meeting of stockholders to provide SPAH stockholders the opportunity to vote on the merger.

SPAH is proposing Proposal No. 2 to amend the SPAH Certificate of Incorporation to provide that SPAH cannot consummate the merger unless up to at least 10% (minus one share) but no more than 30% (minus one share) of SPAH public stockholders are able to exercise their conversion rights. The SPAH Certificate of Incorporation in its current form prohibits SPAH from consummating an initial business combination in which SPAH public stockholders owning less than 30% (minus one share) are unable to elect conversion. However, SPAH has made it a condition to closing the merger agreement that holders of no more than 10% of the shares (minus one share) sold in SPAH's initial public offering vote against the merger and exercise their conversion rights in order to ensure that the combined company immediately following the consummation of the merger has sufficient Tier 1 capital to return to compliance levels. Accordingly, SPAH must amend the SPAH Certificate of Incorporation immediately prior to presenting the merger proposal for a vote at the special meeting of stockholders to provide for this closing condition.

SPAH believes that the proposed merger is an extremely attractive opportunity in the current market environment and therefore, SPAH public stockholders should be given the opportunity to consider the business combination. In considering the Initial Charter Amendments, the SPAH Board came to the conclusion that the potential benefits of the proposed merger with Frontier to SPAH and its stockholders outweighed the possibility of any liability described below as a result of this amendment being approved. SPAH is offering holders of up to 10% (minus one share) sold in SPAH's initial public offering, the ability to affirmatively vote such shares against the merger proposal and demand that such shares be converted into a pro rata portion of the trust account.

Accordingly, SPAH believes that the Initial Charter Amendments are consistent with the spirit in which SPAH offered its securities to the public. If the requisite approval is received, the Initial Charter Amendments will be filed with the Delaware Secretary of State immediately upon their approval and prior to the stockholders consideration of the merger proposal at the special meeting of stockholders.

The SPAH Certificate of Incorporation purports to prohibit amendments to certain of its provisions, including the proposed Initial Charter Amendments, without the unanimous consent of the holders of all of SPAH's outstanding shares of common stock. However, SPAH believes, and has received an opinion from its special

**Table of Contents**

Delaware counsel that while the matter has not been settled as a matter of Delaware law and, accordingly, is not entirely free from doubt, the Initial Charter Amendments, if duly approved by a majority of the shares of SPAH's outstanding common stock entitled to vote at the special meeting, will be valid under Delaware law.

Because the SPAH Certificate of Incorporation in its current form does not allow for SPAH to complete the proposed merger and SPAH is seeking to take certain action that may be inconsistent with the disclosure provided in its initial public offering prospectus, each SPAH public stockholder at the time of the merger who purchased his or her shares in the initial public offering or afterwards up to and until the record date, may have securities law claims against SPAH for rescission (under which a successful claimant has the right to receive the total amount paid for his or her securities pursuant to an allegedly deficient prospectus, plus interest and less any income earned on the securities, in exchange for surrender of the securities) or damages (compensation for loss on an investment caused by alleged material misrepresentations or omissions in the sale of a security). See The Merger and the Merger Agreement Rescission Rights for additional information.

**Q: Why is SPAH proposing the Subsequent Charter Amendments?**

- A: If the merger agreement is approved and adopted by SPAH stockholders, SPAH is proposing to amend the SPAH Certificate of Incorporation to (i) change SPAH's corporate name from SP Acquisition Holdings, Inc. to Frontier Financial Corporation, (ii) permit SPAH's continued corporate existence after October 10, 2009 and (iii) create a new class of common stock of SPAH which will have economic rights but no voting rights. SPAH is proposing the Name Change Proposal because, in the event of a merger with Frontier, SPAH's current name will not accurately reflect its business operations. SPAH is proposing the Continued Existence Proposal because under the SPAH Certificate of Incorporation, SPAH must submit a proposal to amend the SPAH Certificate of Incorporation to permit SPAH's continued corporate existence at the same time SPAH submits a proposal to stockholders to approve an initial business combination. SPAH also believes continued existence is the usual period of existence for most corporations.

SPAH is proposing the New Class Proposal to create a new class of common stock, the Non-Voting Common Stock, that may be issued to stockholders and/or warrant holders, following the consummation of the merger, so that a stockholder or warrant holder, in its election, may, for example, remain below the ownership threshold which would subject them to regulation as a bank holding company as described below. The terms of the Non-Voting Common Stock are identical to the terms of SPAH's voting common stock except that the Non-Voting Common Stock has no voting rights and holders of such Non-Voting Common Stock may convert their shares into an equal number of shares of voting common stock, under certain circumstances. In connection with the creation of the new class of Non-Voting Common Stock, the SPAH Certificate of Incorporation would also be amended so that holders of voting common stock may convert their shares into shares of Non-Voting Common Stock without limitation.

Under the BHC Act, a company that directly or indirectly owns, controls or has the power to vote 25% or more of a class of voting stock of a bank or a bank holding company is a bank holding company for purposes of the BHC Act and is subject to regulation as a bank holding company as described in the section entitled Regulation and Supervision Federal Bank Holding Company Regulation. In addition, a company that directly or indirectly owns, controls or has the power to vote 10% or more, but less than 25%, of a class of voting stock of a bank or a bank holding company may be presumed to control the bank and/or bank holding company. If the presumption of control is not rebutted, the company is subject to the regulation as a bank holding company as described in the section entitled Regulation and Supervision Federal Bank Holding Company Regulation. The presumption of control may be rebutted by entering into a passivity agreement with the Federal Reserve, which contains specific terms to limit the ability to control the management and policies of the bank and/or bank holding company. A company that owns, controls or has the power to vote 10% or more, but less than 25%, of a class of voting stock

of a bank or a bank holding company and that enters into a passivity agreement generally is not subject to regulation as a bank holding company. A company that directly or indirectly owns, controls or has the power to vote less than 10% of any class of voting stock of a bank or a bank holding company generally is not subject to regulation as a bank holding company.

Given these considerations, in order to permit investor flexibility, SPAH is also requesting warrant holder approval at a special meeting of warrant holders to amend the terms of the Warrant Agreement, and intends to

## **Table of Contents**

amend certain agreements entered into with the SPAH insiders, which govern the terms and conditions of the initial founder's warrants and additional founder's warrants (the Founder's Agreements), to provide warrant holders with the option to receive either voting shares of SPAH common stock or shares of Non-Voting Common Stock in certain situations. Amending the Warrant Agreement and Founder's Agreements will require the prior written consent of the underwriters in SPAH's initial public offering, which SPAH anticipates receiving prior to the closing of the merger.

This Subsequent Charter Amendment is being proposed for the benefit of SP Acq LLC and its affiliates, including the Steel Trust, who otherwise would acquire more than 10% of the voting securities of SPAH upon the exercise of their initial founder's warrants, additional founder's warrants and co-investment warrants following the consummation of the merger. However, all stockholders and/or warrant holders will be permitted to receive Non-Voting Common Stock at their election. SP Acq LLC and the Steel Trust have separately agreed, pursuant to letter agreements with SPAH, to receive Non-Voting Common Stock upon exercise of their initial founder's warrants, additional founder's warrants and co-investment warrants following the consummation of the merger, as necessary in order to maintain an ownership level of voting common stock below 5% of the total outstanding shares of voting common stock. At their discretion, SP Acq LLC and/or the Steel Trust will convert such shares into voting common stock in accordance with the SPAH Certificate of Incorporation, as amended by the Subsequent Charter Amendments and upon a distribution of the shares by Steel Trust to its beneficiaries, such shares will also be converted into voting common stock in accordance with the SPAH Certificate of Incorporation, as amended by the Subsequent Charter Amendments.

### **Q: What vote is needed to adopt the merger agreement and to approve the other matters at the special meeting?**

A: Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of SPAH common stock entitled to vote at the special meeting. The SPAH Certificate of Incorporation also requires that the holders of a majority of SPAH's outstanding shares of common stock issued in SPAH's initial public offering are voted, in person or by proxy, in favor of the merger and that such SPAH public stockholders owning no more than 30% (minus one share) of the shares sold in SPAH's initial public offering vote against the merger and thereafter exercise their conversion rights as described below. If Proposal No. 2 is approved and adopted, it is a condition to closing the merger agreement that holders of no more than 10% of the shares (minus one share) sold in SPAH's initial public offering vote against the merger and exercise their conversion rights, although at SPAH's discretion, this closing condition may be waived in order to consummate the merger. Accordingly, SPAH may not consummate the merger if 10% or more of the holders of shares sold in or subsequent to SPAH's initial public offering elect to exercise their conversion rights. If SPAH elects to waive this closing condition, it may raise the conversion threshold to anywhere between 10% to 30% (minus one share). SPAH does not believe it will raise the conversion threshold and currently intends only to raise the conversion threshold if it believes that the combined entity will have sufficient Tier 1 capital to return to compliance levels.

The SPAH Certificate of Incorporation purports to prohibit amendments to certain of its provisions, including the proposed Initial Charter Amendments, without the unanimous consent of the holders of all of SPAH's outstanding shares of common stock. However, SPAH believes, and has received an opinion from its special Delaware counsel that while the matter has not been settled as a matter of Delaware law and, accordingly, is not entirely free from doubt, the Initial Charter Amendments, if duly approved by a majority of the shares of SPAH's outstanding common stock entitled to vote at the special meeting, will be valid under Delaware law.

Adoption of the Subsequent Charter Amendments requires the affirmative vote of a majority of the shares of SPAH's outstanding common stock entitled to vote at the special meeting. Directors will be elected by a plurality of the votes cast by stockholders present in person or represented by proxy and entitled to vote at the special



meeting.

**Q: How do the SPAH insiders intend to vote their shares?**

A: The SPAH insiders have agreed to vote all of their 10,822,400 founder's shares, which constitutes approximately 20% of SPAH's outstanding shares of common stock, either for or against the merger proposal

## **Table of Contents**

consistent with the majority of the votes cast on the merger by the SPAH public stockholders. To the extent any SPAH insider or officer or director of SPAH has acquired shares of SPAH common stock in, or subsequent to, SPAH's initial public offering, it, he or she has agreed to vote these acquired shares in favor of the merger proposal. As of the date hereof, none of the SPAH insiders or officers or directors of SPAH own any shares sold in, or subsequent to, the SPAH initial public offering. The SPAH insiders have further indicated that they will vote all of their shares in favor of the adoption of the amendments to the SPAH Certificate of Incorporation and for the election of each of the director nominees to the SPAH Board. While the founder's shares voted by the SPAH insiders will count towards the voting and quorum requirements under Delaware law, they will not count towards the voting requirement under the SPAH Certificate of Incorporation because the founder's shares were not issued in SPAH's initial public offering. As described below, pursuant to a plan of reorganization, SP II has contributed certain assets, including its shares of SPAH common stock and warrants, to the Steel Trust. The trust has agreed to assume all of SP II's rights and obligations with respect to these shares and warrants, including to vote in accordance with the foregoing.

Upon consummation of the merger, SP Acq LLC has agreed to forfeit 8,987,883 of its founder's shares and Messrs. Bergamo, LaBow, Lorber, Toboroff and Walker have agreed to forfeit an aggregate of 465,530 of their founder's shares.

### **Q: What will SPAH stockholders receive in the proposed merger?**

- A: SPAH stockholders will receive nothing in the merger. SPAH stockholders will continue to hold the same number of shares of SPAH's common stock that they owned prior to the merger, except that upon consummation of the merger, SP Acq LLC has agreed to forfeit 8,987,883 of its founder's shares and Messrs. Bergamo, LaBow, Lorber, Toboroff and Walker have agreed to forfeit an aggregate of 465,530 of their founder's shares.

SPAH stockholders do not have appraisal rights in connection with the merger under applicable Delaware law, but do have conversion rights as described below.

### **Q: What is the co-investment?**

- A: In connection with the initial public offering, SP II previously agreed to purchase an aggregate of 3,000,000 co-investment units at \$10.00 per unit (\$30.0 million in the aggregate) in a private placement that will occur immediately prior to the consummation of the merger. Pursuant to a plan of reorganization, SP II has contributed certain assets to the Steel Trust, a liquidating trust established for the purpose of effecting the orderly liquidation of such assets. As a result, all of the founder's shares and initial founder's warrants owned by SP II have been transferred to the Steel Trust in a private transaction exempt from registration under the Securities Act. The Steel Trust has agreed to assume all of SP II's rights and obligations with respect to the founder's shares and initial founder's warrants, as more fully described elsewhere in this joint proxy statement/prospectus, including the obligation to purchase the co-investment units. Since the agreement governing the co-investment and SPAH's initial public offering prospectus disclosed that only SP II or SP Acq LLC may purchase the co-investment units, SPAH will need the prior written consent of the underwriters in its initial public offering to permit the Steel Trust to make the co-investment. SPAH anticipates receiving this consent prior to the closing of the merger. In addition, SPAH public stockholders may have a securities law claim against SPAH for rescission (under which a successful claimant has the right to receive the total amount paid for his or her securities pursuant to an allegedly deficient prospectus, plus interest and less any income earned on the securities, in exchange for surrender of the securities) or damages (compensation for loss on an investment caused by alleged material misrepresentations or omissions in the sale of a security), as described more fully under The Merger and the Merger Agreement Rescission Rights.

The units purchased in the co-investment will be identical to the units sold in SPAH's initial public offering, except that they will be subject to certain transfer restrictions. The proceeds from the sale of the co-investment units will not be received by SPAH until immediately prior to the consummation of the merger. The proceeds from the sale of the co-investment units will provide SPAH with additional equity capital to fund the merger. If the merger is not consummated, the Steel Trust will not purchase the co-investment units and no proceeds will be deposited into SPAH's trust account or available for distribution to SPAH's stockholders in the event of a liquidating distribution.

**Table of Contents**

**Q: How much of SPAH's common stock will existing SPAH stockholders own upon completion of the merger and co-investment?**

A: It depends. The percentage of SPAH's common stock (whether voting or non-voting) that existing SPAH stockholders will own after the merger and co-investment will vary depending on whether:

any Frontier shareholder exercises dissenters' rights;

any of SPAH's 66,624,000 outstanding warrants (after reflecting the co-investment and merger) are exercised; and

any SPAH public stockholder exercises their right to convert their shares into cash equal to a pro rata portion of the SPAH trust account.

Depending on the scenario, existing SPAH stockholders will own from 94.5% to 96.1% of SPAH's common stock after the merger and co-investment.

In addition to the foregoing, the percentage of SPAH's voting common stock that existing SPAH stockholders will own after the merger and co-investment will depend on whether:

any SPAH stockholder converts its voting common stock into Non-Voting Common Stock; and

any SPAH warrant holder elects to receive shares of Non-Voting Common Stock in lieu of voting common stock upon exercise of their warrants.

SP Acq LLC and the Steel Trust have agreed to receive Non-Voting Common Stock as necessary in order to maintain an ownership level of voting common stock below 5% of the total outstanding shares of voting. As a result, SPAH stockholders will hold from 94.3% to 95.3% of the voting interests of SPAH depending on whether any Frontier shareholder exercises dissenters' rights, any of SPAH's warrants are exercised and whether any SPAH public stockholders exercise their conversion rights. At their discretion, SP Acq LLC and/or the Steel Trust will convert such shares into voting common stock in accordance with the SPAH Certificate of Incorporation, as amended by the Subsequent Charter Amendments and, upon a distribution of the shares by Steel Trust to its beneficiaries, such shares will also be converted into voting common stock in accordance with the SPAH Certificate of Incorporation, as amended by the Subsequent Charter Amendments.

In addition, SPAH, the SPAH insiders, and/or certain of their respective affiliates may negotiate arrangements to provide for the purchase of shares from SPAH public stockholders who indicate their intention to vote against the merger and seek conversion or who otherwise wish to sell their shares. As a result, SPAH stockholders' voting interests may be further increased or decreased accordingly in order for SP Acq LLC and the Steel Trust to maintain an ownership level of voting common stock below 5% of the total outstanding shares of voting common stock.

For a table outlining the effect of the various scenarios on the percentage of SPAH's common stock and voting interests that existing SPAH stockholders will own after the merger with Frontier is completed, see "The Merger and the Merger Agreement - Stock Ownership of Existing SPAH and Frontier Stockholders After the Merger."

**Q: Do the SPAH stockholders have conversion rights?**

- A: Generally, yes. If you hold shares of common stock issued in SPAH's initial public offering (whether such shares were acquired pursuant to such initial public offering or afterwards up to and until the record date), then you have the right to vote against the merger proposal and demand that SPAH convert such shares into cash equal to a pro rata share of the aggregate amount then on deposit in the trust account in which a substantial portion of the net proceeds of SPAH's initial public offering are held (before payment of deferred underwriting discounts and commissions and including interest earned on their pro rata portion of the trust account, net of income taxes payable on such interest and net of interest income of \$3.5 million on the trust account balance previously released to SPAH to fund its working capital requirements). We sometimes refer to these rights to vote against the merger proposal and demand conversion of the shares into a pro rata portion of the SPAH trust account as conversion rights.

## **Table of Contents**

The SPAH Certificate of Incorporation in its current form requires that no more than 30% (minus one share) of the SPAH public stockholders vote against the merger and thereafter exercise their conversion rights. If Proposal No. 2 is approved and adopted, it is a condition to closing the merger agreement that no more than 10% (minus one share) of the shares held by SPAH public stockholders vote against the merger and exercise their conversion rights, although at SPAH's discretion, this closing condition may be waived in order to consummate the merger. Accordingly, SPAH may not consummate the merger if 10% or more of the holders of shares sold in or subsequent to SPAH's initial public offering elect to exercise their conversion rights. If SPAH elects to waive this closing condition, it may raise the conversion threshold to anywhere between 10% to 30% (minus one share). SPAH does not believe it will raise the conversion threshold and currently intends only to raise the conversion threshold if it believes that the combined entity will have sufficient Tier 1 capital to return to compliance levels. If the merger is not consummated and SPAH does not consummate a business combination by October 10, 2009, SPAH will be required to dissolve and liquidate and SPAH public stockholders voting against the merger proposal who elected to exercise their conversion rights would not be entitled to convert their shares. However, all SPAH public stockholders would be entitled to participate in pro-rata liquidation distributions from SPAH's trust account with respect to their shares.

### **Q: If I am a SPAH stockholder and have conversion rights, how do I exercise them?**

A: If you wish to exercise your conversion rights, you must:

affirmatively vote against the merger proposal in person or by submitting your proxy card before the vote on the merger proposal and checking the box that states "Against" for the merger proposal; and

either:

check the box that states "I HEREBY EXERCISE MY CONVERSION RIGHTS" on the proxy card; or

send a letter to SPAH's transfer agent, Continental Stock Transfer & Trust Company, at 17 Battery Place, 8th Floor, New York, NY 10004, attn: Mark Zimkind, stating that you are exercising your conversion rights and demanding your shares of SPAH common stock be converted into cash; and

either:

physically tender, or if you hold your shares of SPAH common stock in "street name," cause your broker to physically tender, your stock certificates representing shares of SPAH common stock to SPAH's transfer agent; or

deliver your shares electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System, to SPAH's transfer agent, in either case by [ ], 2009 or such other later date if the special meeting of SPAH stockholders is adjourned or postponed.

Accordingly, a SPAH stockholder would have from the time we send out this joint proxy statement/prospectus through the vote on the merger to deliver his or her shares if he or she wishes to seek to exercise his or her conversion rights.

Taking any action that does not include an affirmative vote against the merger, including abstaining from voting on the merger proposal, will prevent you from exercising your conversion rights. However, voting against the merger proposal does not obligate you to exercise your conversion rights. If the merger is not consummated, no shares will be converted to cash through the exercise of conversion rights. For more information, see "Summary

Term Sheet    The Merger and the Merger Agreement    SPAH Conversion Rights    and    The Merger and the Merger Agreement    Conversion Rights of SPAH Stockholders.

**Table of Contents**

**Q: Why has SPAH made it a condition to closing the merger agreement and proposed to amend the SPAH Certificate of Incorporation to provide that holders of no more than 10% of the shares (minus one share) sold in SPAH's initial public offering vote against the merger and exercise their conversion rights when the threshold in the current form of the SPAH Certificate of Incorporation requires no more than 30% (minus one share)?**

A: SPAH has made it a condition to closing the merger agreement and has proposed to amend the SPAH Certificate of Incorporation to provide that holders of no more than 10% of the shares (minus one share) sold in SPAH's initial public offering vote against the merger and exercise their conversion rights in order to ensure that the combined company immediately following the consummation of the merger has sufficient Tier 1 capital to return to compliance levels. Pursuant to the terms of the FDIC Order, Frontier Bank is required to increase its Tier 1 capital in such an amount as to equal or exceed 10% of Frontier Bank's total assets by July 29, 2009 and to maintain such capital level thereafter. If 10% or greater of SPAH's public stockholders were to vote their shares against the merger and demand that SPAH convert such shares into cash equal to a pro rata share of the aggregate amount then on deposit in the trust account, the funds remaining may not be sufficient to meet Frontier Bank's capital requirements. Accordingly, SPAH may not consummate the merger if 10% or more of the holders of shares sold in or subsequent to SPAH's initial public offering elect to exercise their conversion rights. However, in SPAH's sole discretion, this closing condition may be waived in order to consummate the merger. If SPAH elects to waive this closing condition, it may raise the conversion threshold to anywhere between 10% to 30% (minus one share). SPAH does not believe it will raise the conversion threshold and currently intends only to raise the conversion threshold if it believes that the combined entity will have sufficient Tier 1 capital to return to compliance levels. SPAH has no agreements or understandings regarding a minimum amount of funds that must remain in the trust account upon closing of the merger. SPAH and Frontier are currently in discussions with the FDIC to determine appropriate capital levels. SPAH currently intends to use cash from the trust fund to increase the capital of Frontier Bank to a well capitalized bank after payment (i) to SPAH public stockholders who properly exercise their conversion rights, (ii) for deferred underwriting fees, to the extent paid in cash, (iii) of transaction fees and expenses associated with the merger, and (iv) of working capital and general corporate expenses of the combined company following the merger. In addition, the funds released from the trust account may be used to purchase shares held by SPAH public stockholders who intend to vote against the merger and seek conversion or who otherwise wish to sell their shares, provided, that such purchases will only be made if sufficient Tier 1 capital will remain to return to compliance levels.

The SPAH Certificate of Incorporation purports to prohibit amendments to certain of its provisions, including Proposal No. 2, without the unanimous consent of the holders of all of SPAH's outstanding shares of common stock. However, SPAH believes, and has received an opinion from its special Delaware counsel that while the matter has not been settled as a matter of Delaware law and, accordingly, is not entirely free from doubt, the Initial Charter Amendments, if duly approved by a majority of the shares of SPAH's outstanding common stock entitled to vote at the special meeting, will be valid under Delaware law.

Since SPAH's initial public offering prospectus did not disclose that SPAH would seek approval of Proposal No. 2, each SPAH stockholder at the time of the merger that purchased shares in, or subsequent to, SPAH's initial public offering up to and until the record date, may have securities law claims against SPAH for rescission or damages. See The Merger and the Merger Agreement Rescission Rights for additional information.

**Q: What are the federal income tax consequences of exercising my conversion rights?**

A: SPAH stockholders who exercise their conversion rights and convert their shares of SPAH common stock into the right to receive cash from the trust account, will generally be required to treat the transaction as a sale of the



shares and to recognize gain or loss upon the conversion. Such gain should be capital gain or loss if such shares were held as a capital asset on the date of the conversion, and will be measured by the difference between the amount of cash received and the tax basis of the shares of SPAH common stock converted. A stockholder's tax basis in its shares of SPAH common stock generally will equal the cost of such shares. A stockholder who purchased SPAH units will have to allocate the cost between the shares of common stock and the warrants comprising the units based on their relative fair market values at the time of the purchase. See Material U.S. Federal Income Tax Consequences Certain Federal Tax Consequences to SPAH Stockholders.

**Table of Contents**

**Q: Will I lose my warrants or will they be converted to shares of common stock if the merger is consummated or if I exercise my conversion rights?**

A: No. Neither consummation of the merger with Frontier nor exercise of your conversion rights will result in the loss of your warrants. Your warrants will continue to be outstanding following consummation of the merger whether or not you exercise your conversion rights. However, in the event that SPAH does not consummate the merger with Frontier by October 10, 2009, SPAH will be required to liquidate and any SPAH warrants you own will expire without value.

**Q: What happens to the funds deposited in the SPAH trust account after completion of the merger?**

A: Upon consummation of the merger, the funds deposited in the SPAH trust account will be released (i) to pay SPAH public stockholders who properly exercise their conversion rights, (ii) to the underwriters in SPAH's initial public offering who are entitled to receive approximately \$17.3 million of deferred underwriting discounts and commissions currently held in SPAH's trust account, to the extent paid in cash, provided, however, that SPAH is in negotiation with its underwriters regarding the amount and form of payment of such deferred underwriting fees from SPAH's initial public offering and, as of the date hereof, SPAH believes that the underwriting fees will be reduced by approximately \$3.65 million and SPAH will continue to negotiate a further reduction of such fees until a mutual settlement can be reached, (iii) to pay transaction fees and expenses associated with the merger, and (iv) for working capital and general corporate purposes of the combined company following the merger. In addition, the funds released from the trust account may be used to purchase shares held by SPAH public stockholders who intend to vote against the merger and seek conversion or who otherwise wish to sell their shares, provided, that such purchases will only be made if sufficient Tier 1 capital will remain to return to compliance levels.

**Q: What happens if the merger is not consummated or is terminated?**

A: If SPAH does not effect the merger with Frontier by October 10, 2009, SPAH must dissolve and liquidate. In any liquidation, the funds held in the trust account, plus any interest earned thereon (less any taxes due on such interest), together with any remaining net assets not held in trust, will be distributed pro rata to the SPAH public stockholders. The SPAH insiders have waived their right to participate in any liquidation distribution with respect to their shares. Additionally, if we do not complete an initial business combination and the trustee must distribute the balance of the trust account, the underwriters have agreed to forfeit any rights or claims to their deferred underwriting discounts and commissions then in the trust account, and those funds will be included in the pro rata liquidation distribution to the SPAH public stockholders.

SPAH expects that all costs and expenses associated with implementing a plan of distribution, as well as payments to any creditors, will be funded from amounts remaining out of the \$100,000 of proceeds held outside the trust account and from the \$3.5 million in interest income on the balance of the trust account that was released to SPAH to fund working capital requirements. However, if those funds are not sufficient to cover the costs and expenses associated with implementing a plan of distribution, to the extent that there is any interest accrued in the trust account not required to pay income taxes on interest income earned on the trust account balance, SPAH may request that the trustee release to it an additional amount of up to \$75,000 of such accrued interest to pay those costs and expenses.

In addition, if the merger is not consummated, the SPAH Certificate of Incorporation will not be amended pursuant to the proposals to adopt the amendments to the SPAH Certificate of Incorporation, the four (4) director nominees from Frontier will not be appointed to the SPAH Board and the Steel Trust will not purchase the

co-investment units.

Frontier will pay to SPAH, an amount equal to \$2,500,000 if the merger agreement is terminated under certain circumstances, including, but not limited to, if (i) SPAH terminates the merger agreement due to a breach by Frontier, (ii) either party terminates due to the failure of Frontier to obtain stockholder approval, (iii) either party terminates due to the failure to consummate the merger by December 31, 2009, in the event SPAH extends its corporate life beyond October 10, 2009, and, in the case of a termination under clause (ii) or (iii) above, (x) there has been publicly announced and not withdrawn another acquisition proposal relating to Frontier or (y) Frontier has failed to perform and comply in all material respects with any of its obligations, agreements or covenants

**Table of Contents**

required by the merger agreement, and within 12 months of such termination Frontier either consummates another acquisition transaction or enters into a definitive agreement with respect to an acquisition transaction, (iv) SPAH terminates the merger agreement due to the Frontier Board failing to support the merger proposal or recommending any acquisition transaction other than the merger.

**Q: Since SPAH's initial public offering prospectus contained certain differences in what is being proposed at the special meeting, what are my legal rights?**

A: You should be aware that because SPAH's initial public offering prospectus did not disclose that (i) SPAH may seek to amend the SPAH Certificate of Incorporation prior to the consummation of a business combination to amend the definition of "initial business combination" to eliminate the requirement that the fair market value of the target business equal at least 80% of the balance of SPAH's trust account (excluding underwriting discounts and commissions) plus the proceeds of the co-investment, (ii) SPAH may seek to amend the SPAH Certificate of Incorporation prior to the consummation of a business combination to provide that holders of no more than 10% of the shares (minus one share) sold in SPAH's initial public offering vote against the merger and exercise their conversion rights when the threshold in the current form of the SPAH Certificate of Incorporation requires no more than 30% (minus one share), (iii) SPAH may seek to amend the Warrant Agreement upon consummation of the merger to eliminate the requirement that the initial founder's warrants owned by certain SPAH insiders become exercisable only after the consummation of an initial business combination if and when the last sales price of SPAH common stock exceeds \$14.25 per share for any 20 trading days within a 30 trading day period beginning 90 days after such business combination, (iv) funds in its trust account might be used, directly or indirectly, to purchase shares following the consummation of the merger from SPAH public stockholders in order to secure the approval of the merger, (v) that SPAH may seek to amend the terms of the Warrant Agreement to increase the exercise price and extend the exercise period, among other things, upon consummation of the merger, and (vi) that a party other than SP II or SP Acq LLC may purchase the co-investment units, each SPAH public stockholder at the time of the merger that purchased shares in, or subsequent to, SPAH's initial public offering up to and until the record date, may have securities law claims against SPAH for rescission (under which a successful claimant has the right to receive the total amount paid for his or her securities pursuant to an allegedly deficient prospectus, plus interest and less any income earned on the securities, in exchange for surrender of the securities) or damages (compensation for loss on an investment caused by alleged material misrepresentations or omissions in the sale of a security). Such claims may entitle stockholders asserting them to up to \$10.00 per share, based on the initial offering price of the units, each comprised of one share of common stock and a warrant exercisable for an additional share of common stock, less any amount received from the sale of the original warrants purchased with them, plus interest from the date of SPAH's initial public offering (which, in the case of SPAH public stockholders, may be more than the pro rata share of the trust account to which they are entitled if they exercise their conversion rights or if SPAH liquidates). See "The Merger and the Merger Agreement" "Actions That May Be Taken to Secure Approval of SPAH Stockholders," and "The Merger and the Merger Agreement" "Rescission Rights" for additional information.

**Q: What will happen if I abstain from voting or fail to vote at the special meeting?**

A: SPAH will count a properly executed proxy marked "ABSTAIN" with respect to a particular proposal as present for purposes of determining whether a quorum is present. For purposes of approval, an abstention or failure to vote on the merger will have the same effect as a vote "AGAINST" the proposal but will preclude you from having your shares converted into a pro rata portion of the trust account. In order to exercise your conversion rights, you must cast a vote against the merger, make an election on the proxy card to convert such shares of common stock or submit a request in writing to SPAH's transfer agent at the address listed on page 104, and deliver your shares to SPAH's transfer agent physically or electronically through DTC prior to the special meeting.



**Table of Contents**

An abstention from voting on the amendments to the SPAH Certificate of Incorporation will have the same effect as a vote AGAINST the proposals. Abstentions will not count either in favor of, or against, election of a director nominee.

**Q: What will happen if I sign and return my proxy card without indicating how I wish to vote?**

A: Signed and dated proxies received by SPAH without an indication of how the stockholder intends to vote on a proposal will be voted in favor of each proposal presented to the stockholders, as the case may be.

Stockholders will not be entitled to exercise their conversion rights if such stockholders return proxy cards to SPAH without an indication of how they desire to vote with respect to the merger proposal or, for stockholders holding their shares in street name, if such stockholders fail to provide voting instructions to their banks, brokers or other nominees.

**Table of Contents**

**QUESTIONS AND ANSWERS FOR SPAH WARRANTHOLDERS**

**Q: When and where is the SPAH special meeting of warrantholders?**

A: The special meeting of SPAH warrantholders will be held on [ ], [ ], 2009 at [ ]:00 [ ].m., local time, at [ ].

**Q: How can I attend the special meeting?**

A: Warrantholders as of the close of business on September 17, 2009, and those who hold a valid proxy for the special meeting are entitled to attend the special meeting. Warrantholders should be prepared to present photo identification for admittance. In addition, names of record holders will be verified against the list of record holders on the record date prior to being admitted to the meeting. Warrantholders who are not record holders but who hold shares through a broker or nominee (i.e., in street name), should provide proof of beneficial ownership on the record date, such as a most recent account statement prior to [ ], 2009, or other similar evidence of ownership. If warrantholders do not provide photo identification or comply with the other procedures outlined above upon request, they will not be admitted to the special meeting.

The special meeting of warrantholders will begin promptly at [ ] [ ].m., local time. Check-in will begin at [ ] [ ].m., local time, and you should allow ample time for the check-in procedures.

**Q: What am I being asked to vote upon?**

A: At the special meeting, warrantholders will consider and vote upon a proposal to amend certain terms of the Warrant Agreement, in connection with the consummation of the transactions contemplated by the merger agreement, which provides for the merger of Frontier with and into SPAH, with SPAH being the surviving entity. Immediately following the consummation of the merger, SPAH will change its name to Frontier Financial Corporation and be headquartered in Everett, Washington.

The proposed amendment to the Warrant Agreement, to become effective upon consummation of the merger, will:

increase the exercise price of the warrants from \$7.50 per share to \$11.50 per share of SPAH common stock;

amend the warrant exercise period to (i) eliminate the requirement that the initial founder's warrants owned by the SPAH insiders become exercisable only after the consummation of an initial business combination if and when the last sales price of SPAH common stock exceeds \$14.25 per share for any 20 trading days within a 30 trading day period beginning 90 days after such business combination and (ii) extend the expiration date of the warrants to the earlier of (x) seven years from the consummation of the merger or (y) the date fixed for redemption of the warrants set forth in the warrant agreement;

provide for the mandatory downward adjustment of the exercise price for each warrant to reflect any cash dividends paid with respect to the outstanding common stock of SPAH;

provide that, in the event an effective registration statement is not in place on the date the warrants are set to expire, the warrants will remain outstanding until 90 days after an effective registration statement is filed, provided, that if SPAH has not filed an effective registration statement within 90 days after the expiration date,

the warrants shall become exercisable for cash consideration;

provide that no adjustment in the number of shares issuable upon exercise of each warrant will be made as a result of the issuance of SPAH shares and warrants to the shareholders of Frontier upon consummation of the merger agreement; and

provide that each warrant will entitle the holder thereof to purchase, in its sole discretion, either one share of voting common stock or one share of Non-Voting Common Stock.

At the special meeting, we may transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.



**Table of Contents**

**Q: Why is SPAH amending the warrants?**

A: SPAH believes increasing the exercise price, extending the expiration date, providing for a mandatory downward adjustment of the exercise price under certain circumstances, extending the expiration date if an effective registration statement is not in place and providing that no adjustment in the number of shares issuable upon exercise of the warrants will be made upon consummation of the merger, is appropriate given the change in structure of SPAH following completion of the merger. In addition, SPAH is proposing to amend the warrant exercise period to eliminate the requirement that the initial founder's warrants owned by the SPAH insiders become exercisable only after the consummation of an initial business combination if and when the last sales price of SPAH common stock exceeds \$14.25 per share for any 20 trading days within a 30 trading day period beginning 90 days after such business combination, in light of the forfeiture of 9,453,412 founder's shares by SP Acq LLC and Messrs. Bergamo, LaBow, Lorber, Toboroff and Walker upon consummation of the merger. As a result, if the warrant amendment is approved, the initial founder's warrants will become exercisable upon consummation of the merger, but the sale of such warrants or the shares underlying the warrants will still be subject to a one-year lock-up from the date we consummate the merger. This amendment will require the prior written consent of the underwriters in SPAH's initial public offering, which SPAH anticipates receiving prior to the closing of the merger. We are further requesting warrant holder approval at the special meeting to provide warrant holders with the option to receive, in their sole discretion, upon exercise of their warrants, either voting shares of SPAH common stock or shares of Non-Voting Common Stock, such that the holder thereof would not exceed the ownership threshold which would make it subject to the regulation as a bank holding company as described in the section entitled "Supervision and Regulation - Federal Bank Holding Company Regulation." SP Acq LLC and the Steel Trust have separately agreed, pursuant to letter agreements with SPAH, to receive Non-Voting Common Stock upon exercise of their initial founder's warrants, additional founder's warrants and co-investment warrants following the consummation of the merger, as necessary in order to maintain an ownership level of voting common stock below 5% of the total outstanding shares of voting common stock. At their discretion, SP Acq LLC and/or the Steel Trust will convert such shares into voting common stock in accordance with the SPAH Certificate of Incorporation, as amended by the Subsequent Charter Amendments and upon a distribution of the shares by Steel Trust to its beneficiaries, such shares will also be converted into voting common stock in accordance with the SPAH Certificate of Incorporation, as amended by the Subsequent Charter Amendments.

If the merger is not consummated and SPAH does not complete a different business combination by October 10, 2009, the warrants will expire worthless. If the warrant amendment proposal is approved, all other terms of SPAH's warrants will remain the same. The approval of the warrant amendment proposal is a condition to the consummation of the merger.

**Q: What vote is required to approve the amendment?**

A: On the record date, there were 61,112,000 warrants of SPAH outstanding, including 3,982,016 warrants forming part of units of SPAH. You will have one vote at the meeting for each warrant of SPAH stock you owned on the record date. Adoption of the amendment to the Warrant Agreement requires the affirmative vote of a majority of the warrant holders outstanding and entitled to vote at the special meeting. The Warrant Agreement also requires that the holders of a majority of SPAH's outstanding warrants issued in, or subsequent to, SPAH's initial public offering (43,789,600 warrants), are voted in favor of the warrant amendment. The approval of the amendment proposal is also a condition to the consummation of the merger discussed above.

**Q: How do the holders of the initial founder's warrants and additional founder's warrants intend to vote their warrants?**

- A: The SPAH insiders intend to vote their initial founder's warrants and additional founder's warrants in favor of the warrant amendment proposal. While the warrants voted by the SPAH insiders will count towards the voting and quorum requirements under Delaware law, they will not count towards the voting requirement under the Warrant Agreement, which requires that the holders of a majority of SPAH's outstanding warrants issued in, or subsequent to, SPAH's initial public offering, are voted in favor of the warrant amendment, because the initial founder's warrants and additional founder's warrants were not issued in SPAH's initial public offering.

**Table of Contents**

**Q: What happens if the merger is not consummated or is terminated?**

A: If the merger is not consummated or terminated, the Warrant Agreement will not be amended as contemplated by the warrant amendment proposal and the Steel Trust will not purchase the co-investment units. If SPAH does not effect the merger with Frontier by October 10, 2009, SPAH must dissolve and liquidate. If SPAH must liquidate, there will be no distribution from the trust account with respect to any of the warrants and the warrants will expire worthless.

**Q: What are the U.S. federal income tax consequences of the amendment?**

A: For U.S. federal income tax purposes, if the terms of the warrants are amended, a warrant holder will be treated as exchanging his or her old warrants for new warrants in connection with the consummation of the transactions contemplated by the merger agreement. We expect the merger to qualify as a reorganization for U.S. federal income tax purposes. If the merger qualifies as a reorganization for U.S. federal income tax purposes, a warrant holder will not recognize any gain or loss on the deemed exchange of his or her old warrants for new warrants as a result of the amendment.

**Q: What will happen if I abstain from voting or fail to vote at the special meeting?**

A: SPAH will count a properly executed proxy marked **ABSTAIN** with respect to the warrant amendment proposal present for purposes of determining whether a quorum is present. For purposes of approval, an abstention or failure to vote on the warrant amendment proposal will have the same effect as a vote **AGAINST** the proposal.

**Q: What will happen if I sign and return my proxy card without indicating how I wish to vote?**

A: Signed and dated proxies received by SPAH without an indication of how the warrant holder intends to vote on the warrant amendment proposal will be voted in favor of the proposal.

**Table of Contents**

**QUESTIONS AND ANSWERS FOR FRONTIER SHAREHOLDERS**

**Q: When and where is the Frontier special meeting of shareholders?**

A: The special meeting of Frontier shareholders will be held on [ ], [ ], 2009 at [ ]:00 [ ].m., local time, at [ ].

**Q: How can I attend the Frontier special meeting?**

A: Frontier shareholders as of the close of business on September 17, 2009, and those who hold a valid proxy for the special meeting are entitled to attend the Frontier special meeting. Frontier shareholders should be prepared to present photo identification for admittance. In addition, names of record holders will be verified against the list of record holders on the record date prior to being admitted to the meeting. Frontier shareholders who are not record holders but who hold shares through a broker or nominee (i.e., in street name), should provide proof of beneficial ownership on the record date, such as a most recent account statement prior to [ ], 2009, or other similar evidence of ownership. If Frontier shareholders do not provide photo identification or comply with the other procedures outlined above upon request, they will not be admitted to the Frontier special meeting.

The Frontier special meeting will begin promptly at [ ] [ ].m., local time. Check-in will begin at [ ] [ ].m., local time, and you should allow ample time for the check-in procedures.

**Q: What am I being asked to vote upon?**

A: The Frontier special meeting is being called to consider and vote upon a proposal to adopt the merger agreement pursuant to which Frontier will merge with and into SPAH, with SPAH being the surviving entity. Immediately following the consummation of the merger, SPAH will change its name to Frontier Financial Corporation and be headquartered in Everett, Washington. At the special meeting, we may transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.

**Q: What vote is required to approve the merger?**

A: Approval of the merger agreement requires the affirmative vote of at least two-thirds of the outstanding shares of Frontier's common stock. As of the record date, there were [ ] shares of Frontier common stock outstanding. Because at least two-thirds of all outstanding shares is required to approve the merger, your failure to vote will have the same effect as a vote against the merger proposal.

**Q: What will Frontier shareholders receive in the merger?**

A: Each issued and outstanding share of Frontier common stock you own will be converted into 0.0530 newly issued shares of SPAH common stock and 0.0530 newly issued warrants. Based on the closing price of SPAH's common stock on July 28, 2009 of \$9.73, which was the last trading day prior to the date of the signing of the merger agreement, Keefe Bruyette calculated an implied consideration of \$0.51569 per share of Frontier common stock. However, based on current market prices, the implied consideration may be less than the market price of Frontier common stock.

Contemporaneously with the Frontier special meeting of stockholders, SPAH has scheduled a special meeting of warrant holders to consider and vote upon a proposal to amend certain terms of the Warrant Agreement that

governs the terms of SPAH's outstanding warrants, as more fully described in The Special Meeting of SPAH Warrantholders and the Warrant Amendment Proposal. If the merger is consummated, Frontier shareholders will receive newly issued warrants on the same terms and conditions as the publicly traded warrants, after giving effect to the warrant amendment proposal.

No fractional shares of SPAH common stock or warrants will be issued to any holder of Frontier common stock in the merger. If a holder of shares of Frontier common stock exchanged pursuant to the merger would be entitled to receive a fractional interest of a share of SPAH common stock or warrant, SPAH will round up or down the number of common stock of SPAH or warrants to be issued to the Frontier shareholder to the nearest whole number of shares of common stock.

**Table of Contents**

**Q: What if I have Frontier stock options, restricted stock or stock appreciation rights?**

A: Upon completion of the merger, each award, option, or other right to purchase or acquire shares of Frontier common stock pursuant to stock options, stock appreciation rights, or stock awards granted by Frontier under Frontier's stock incentive plans, equity compensation plans and stock option plans, which are outstanding immediately prior to the merger, whether or not vested, will be cancelled. As of September 17, 2009, there were 253,154 shares of Frontier restricted stock outstanding, with an aggregate value of \$[ ], each of which will vest at the time of the merger, and be converted into and become rights with respect to SPAH common stock. Frontier's directors, executive officers and their affiliates own 1,879 shares of such restricted stock.

**Q: Will Frontier shareholders be taxed on the SPAH common stock and SPAH warrants that they receive in exchange for their Frontier shares?**

A: No. We expect the merger to qualify as a reorganization for U.S. federal income tax purposes. If the merger qualifies as a reorganization for U.S. federal income tax purposes, Frontier shareholders will not recognize any gain or loss to the extent Frontier shareholders receive SPAH common stock and SPAH warrants in exchange for their Frontier shares. We recommend that Frontier shareholders carefully read the complete explanation of the material U.S. federal income tax consequences of the merger as set forth under "Material U.S. Federal Income Tax Consequences," and that Frontier shareholders consult their tax advisors for a full understanding of the tax consequences of their participation in the merger.

**Q: How much of SPAH's common stock will Frontier shareholders own upon completion of the merger and co-investment?**

A: It depends. The percentage of Frontier's common stock (whether voting or non-voting) that existing Frontier shareholders will own after the merger and co-investment will vary depending on whether:

any Frontier shareholder exercises dissenters' rights;

any of SPAH's 66,624,000 outstanding warrants (after reflecting the co-investment and merger) are exercised; and

any SPAH public stockholder exercises their right to convert their shares into cash equal to a pro rata portion of the SPAH trust account.

Depending on the scenario, the existing Frontier shareholders will own from 3.9% to 5.5% of SPAH's common stock after the merger and co-investment.

In addition to the foregoing, the percentage of SPAH's voting common stock that existing Frontier shareholders will own after the merger and co-investment will depend on whether:

any SPAH stockholder converts its voting common stock into Non-Voting Common Stock; and

any SPAH warrant holder elects to receive shares of Non-Voting Common Stock in lieu of voting common stock upon exercise of their warrants.

SP Acq LLC and the Steel Trust have agreed to receive Non-Voting Common Stock as necessary in order to maintain an ownership level of voting common stock below 5% of the total outstanding shares of voting. As a

result, Frontier shareholders will hold from 4.7% to 5.7% of the voting interests of SPAH depending on whether any Frontier shareholder exercises dissenters' rights, any of SPAH's warrants are exercised and whether any SPAH public stockholders exercise their conversion rights. In addition, SPAH, the SPAH insiders, and/or certain of their respective affiliates may negotiate arrangements to provide for the purchase of shares from SPAH public stockholders who indicate their intention to vote against the merger and seek conversion or who otherwise wish to sell their shares. As a result, Frontier shareholders' voting interests may be further increased or decreased accordingly in order for SP Acq LLC and the Steel Trust to maintain an ownership level of voting common stock below 5% of the total outstanding shares of voting common stock.

For a table outlining the effect of the various scenarios on the percentage of SPAH's common stock and voting interests that existing Frontier shareholders will own after the merger with Frontier is completed, see The

**Table of Contents**

Merger and the Merger Agreement    Stock Ownership of Existing SPAH and Frontier Stockholders After the Merger.

**Q: Do I have dissenters' rights in respect of the merger?**

A: Yes. If you (i) do not vote in favor of the adoption of the merger agreement and (ii) deliver to Frontier before the special meeting a written notice of dissent and otherwise comply with the requirements of Washington law, you will be entitled to assert dissenters' rights. A shareholder electing to dissent from the merger must strictly comply with all procedures required under Washington law. These procedures are described more fully under the heading "The Merger and the Merger Agreement    Frontier Dissenters' Rights", and a copy of the relevant Washington statutory provisions regarding dissenters' rights is included in this joint proxy statement/prospectus as Annex F.

**Q: What are the U.S. federal income tax consequences of exercising my dissenters' rights?**

A: The payment of cash to a Frontier shareholder, who exercises his or her dissenters' rights with respect to such shareholder's shares of Frontier, will give rise to capital gain or loss equal to the difference between such shareholder's tax basis in those shares and the amount of cash received in exchange for those shares.

**Q: How do the Frontier insiders intend to vote their shares?**

A: Each of the Frontier's insiders has agreed to vote their 3,103,451 shares of Frontier common stock (which constitute 6.56% of Frontier's outstanding shares of common stock), FOR the merger proposal.

**Q: Should I send in my share certificates now?**

A: No. You should not send in your share certificates at this time. Promptly after the effective time of the merger, you will receive transmittal materials with instructions for surrendering your Frontier shares. You should follow the instructions in the post-closing letter of transmittal regarding how and when to surrender your stock certificates.

**Q: What will happen if I abstain from voting or fail to vote at the special meeting?**

A: Frontier will count a properly executed proxy marked "ABSTAIN" with respect to the merger proposal as present for purposes of determining whether a quorum is present. For purposes of approval, an abstention or failure to vote on the merger will have the same effect as a vote "AGAINST" the proposal but will preclude you from exercising your dissenters' rights. In order to exercise your dissenters' rights, you must cast a vote against the merger, deliver to Frontier before the special meeting a written notice of dissent and otherwise comply with the requirements of Washington law.

**Q: What will happen if I sign and return my proxy card without indicating how I wish to vote?**

A: Signed and dated proxies received by Frontier without an indication of how the shareholder intends to vote on the merger proposal will be voted in favor of the merger.

Shareholders will not be entitled to exercise their dissenters' rights if such shareholders return proxy cards to Frontier without an indication of how they desire to vote with respect to the merger proposal or, for shareholders holding their shares in street name, if such shareholders fail to provide voting instructions to their banks, brokers or other nominees.





**Table of Contents**

**SUMMARY TERM SHEET**

*This summary highlights selected information from this joint proxy statement/prospectus. It does not contain all of the information that you should consider before deciding how to vote on any of the proposals described herein. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this proxy statement/prospectus.*

**The Companies (pages 118 and 143)**

***SPAH.***

SPAH is a blank check company organized under the laws of the State of Delaware on February 14, 2007 to effect an acquisition, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination, of one or more businesses or assets. SPAH's units, common stock and warrants are currently quoted on the NYSE AMEX LLC under the symbols DSP.U, DSP, and DSP.W, respectively. SPAH's principal executive office is located at 590 Madison Avenue, 32nd Floor, New York, New York 10022, and its telephone number is (212) 520-2300.

***Frontier.***

Frontier is a Washington corporation which was incorporated in 1983 and is registered as a bank holding company under the BHC Act. Frontier has one operating subsidiary, Frontier Bank, which is engaged in a general banking business and in businesses related to banking. Frontier common stock is quoted on the NASDAQ Stock Market LLC under the symbol FTBK. Frontier's principal executive offices are located at 332 S.W. Everett Mall Way, P.O. Box 2215, Everett, Washington 98213 and its telephone number is (425) 347-0600.

**Recent Developments (page 155)**

*Frontier.* On March 20, 2009, Frontier Bank entered into a Stipulation and Consent to the Issuance of an Order to Cease and Desist (the FDIC Order) with the Federal Deposit Insurance Corporation (the FDIC) and the Washington Department of Financial Institutions (the Washington DFI). The regulators alleged that Frontier Bank had engaged in unsafe or unsound banking practices by operating with inadequate management and board supervision; engaging in unsatisfactory lending and collection practices; operating with inadequate capital in relation to the kind and quality of assets held at Frontier Bank; operating with an inadequate loan valuation reserve; operating with a large volume of poor quality loans; operating in such a manner as to produce low earnings and operating with inadequate provisions for liquidity. By consenting to the FDIC Order, Frontier Bank neither admitted nor denied the alleged charges.

Under the terms of the FDIC Order, Frontier Bank cannot declare dividends or pay any management, consulting or other fees or funds to Frontier, without the prior written approval of the FDIC and the Washington DFI. Other material provisions of the FDIC Order require Frontier Bank to: (1) review the qualifications of Frontier Bank's management, (2) provide the FDIC with 30 days written notice prior to adding any individual to the Board of Directors of Frontier Bank (the Frontier Bank Board) or employing any individual as a senior executive officer, (3) increase director participation and supervision of Frontier Bank affairs, (4) improve Frontier Bank's lending and collection policies and procedures, particularly with respect to the origination and monitoring of real estate construction and land development loans, (5) develop a capital plan and increase Tier 1 leverage capital to 10% of Frontier Bank's total assets by July 29, 2009, and maintain that capital level, in addition to maintaining a fully funded allowance for loan losses satisfactory to the regulators, (6) implement a comprehensive policy for determining the adequacy of the

allowance for loan losses and limiting concentrations in commercial real estate and acquisition, development and construction loans, (7) formulate a written plan to reduce Frontier Bank's risk exposure to adversely classified loans and nonperforming assets, (8) refrain from extending additional credit with respect to loans charged-off or classified as loss and uncollected, (9) refrain from extending additional credit with respect to other adversely classified loans without collecting all past due interest, without the prior approval of a majority of the directors on the Frontier Bank Board or its loan committee, (10) develop a plan to control overhead and other expenses to restore profitability, (11) implement a liquidity and funds management policy to reduce Frontier Bank's reliance on brokered deposits and other non-core funding sources, and (12) prepare and submit

**Table of Contents**

progress reports to the FDIC and the Washington DFI. The FDIC Order will remain in effect until modified or terminated by the FDIC and the Washington DFI.

The FDIC Order does not restrict Frontier Bank from transacting its normal banking business. Frontier Bank will continue to serve its customers in all areas including making loans, establishing lines of credit, accepting deposits and processing banking transactions. Customer deposits remain fully insured to the highest limits set by FDIC. The FDIC and Washington DFI did not impose any monetary penalties in connection with the FDIC Order.

In addition, on July 2, 2009, Frontier entered into a Written Agreement (the "FRB Written Agreement") with the Federal Reserve Bank of San Francisco (the "FRB"). Under the terms of the FRB Written Agreement, Frontier has agreed to: (i) refrain from declaring or paying any dividends without prior written consent of the FRB; (ii) refrain from taking dividends or any other form of payment that represents a reduction in capital from Frontier Bank without prior written consent of the FRB; (iii) refrain from making any distributions of interest or principal on subordinated debentures or trust preferred securities without prior written consent of the FRB; (iv) refrain from incurring, increasing or guaranteeing any debt without prior written consent of the FRB; (v) refrain from purchasing or redeeming any shares of its stock without prior written consent of the FRB; (vi) implement a capital plan and maintain sufficient capital; (vii) comply with notice and approval requirements established by the FRB relating to the appointment of directors and senior executive officers as well as any change in the responsibility of any current senior executive officer; (viii) not pay or agree to pay any indemnification and severance payments except under certain circumstances, and with the prior approval of the FRB; and (ix) provide quarterly progress reports to the FRB.

Frontier Bank and the Frontier Bank Board also entered into an informal supervisory agreement, called a memorandum of understanding ("Memorandum of Understanding") with the FDIC dated August 20, 2008 relating to the correction of certain violations of applicable consumer protection and fair lending laws and regulations, principally including the failure to provide certain notices to consumers pursuant to the Flood Disaster Protection Act of 1973, and certain violations of the Truth in Lending Act and Regulation Z.

The Memorandum of Understanding requires Frontier Bank and the Frontier Bank Board to (i) correct all violations found and implement procedures to prevent their recurrence; (ii) increase oversight of the Frontier Bank Board's compliance function, including monthly reports from Frontier Bank's compliance officer to the Frontier Bank Board detailing actions taken to comply with the Memorandum of Understanding; (iii) review its compliance policies and procedures and develop and implement detailed operating procedures and controls, where necessary, to ensure compliance with all consumer protection laws and regulations; (iv) establish monitoring procedures to ensure compliance with all consumer protection laws and regulations (including flood insurance), including the documentation and reporting of all exceptions to the Frontier Bank Board and its audit committee; (v) review, expand and improve the quality of such compliance with the frequency of compliance audits to be reviewed and approved annually by the Frontier Bank Board or audit committee, with a goal of auditing compliance at least annually; (vi) ensure that Frontier Bank's compliance management function has adequate staff, resources, training and authority for the size and structure of Frontier Bank; (vii) establish flood insurance monitoring procedures to ensure loans are not closed without flood insurance and prior notices to customers required by law, that lapses of flood insurance do not occur, and to develop methods to ensure that adequate amounts of flood insurance are provided, with Frontier Bank agreeing to force place flood insurance when necessary; (viii) provide additional training for all Frontier Bank personnel, including the Frontier Bank Board and audit and compliance staff for applicable laws and regulations; and (ix) furnish quarterly progress reports to the Regional Director of the FDIC detailing the actions taken to secure compliance with the Memorandum of Understanding until the Regional Director has released the institution, in writing, from submitting further reports. Frontier Bank was assessed civil monetary penalties of \$48,895 for flood insurance violations and required to pay \$10,974 in restitution to customers for certain violations of the Truth in Lending Act and Regulation Z.

Frontier has been actively engaged in responding to the concerns raised in the FDIC Order, the FRB Agreement and the Memorandum of Understanding and believes it has addressed all the regulators' requirements and that it is in compliance with all the terms of these regulatory actions, with the exception of increasing Tier 1 leverage capital to 10% of the Bank's total assets. As of June 30, 2009, Frontier's Tier 1 leverage capital ratio was 6.49%. With the consummation of the merger, Frontier believes it can increase its Tier 1 capital to compliance levels. Frontier's

**Table of Contents**

efforts to raise additional capital began in the third quarter of 2008, when the Frontier Board retained Sandler O'Neill & Partners, L.P. ( Sandler O'Neill ) to assist in raising capital and deleveraging Frontier's balance sheet. Frontier's ability to raise additional capital has been adversely affected by unfavorable conditions in the capital markets and Frontier's financial performance, and Frontier has not been able to raise additional capital to date. If Frontier cannot raise additional capital, continue to shrink its balance sheet and/or enter into a strategic merger or sale, Frontier may not be able to sustain further deterioration in its financial condition and further regulatory actions or restrictions may be taken against Frontier, including monetary penalties and the potential closure of Frontier Bank.

These regulatory actions may adversely affect Frontier's ability to obtain regulatory approval for future initiatives requiring regulatory action, such as acquisitions. The regulatory actions will remain in effect until modified or terminated by the regulators.

It is a condition to closing the merger that each of (i) the FDIC Order, (ii) the FRB Written Agreement, and (iii) Memorandum of Understanding, will have to be modified in a manner reasonably acceptable to SPAH, including the elimination of certain provisions and consequences related thereto. Although no final decisions have been made as to the specific provisions that must be modified, it is anticipated that SPAH would seek relief from limitations in the FDIC Order on the ability of Frontier Bank to pay dividends to Frontier, and similarly, relief from the FRB Written Agreement on the ability of Frontier to pay dividends to its shareholders. In addition, SPAH would anticipate seeking relief from the FDIC and the FRB requirements to seek prior approval for changes in senior officers and directors of Frontier Bank and Frontier, respectively. SPAH also anticipates seeking relief from restrictions in the FDIC Order on Frontier Bank's ability to extend additional credit with respect to borrowers whose loans are adversely classified or classified as a loss and uncollected. Additional modifications may be sought depending upon further discussions with the regulatory agencies. At the present time, Frontier has not received any indication from any of the regulatory agencies that such modifications will be forthcoming and does not have any agreements, formal or otherwise, regarding the consequences of failing to consummate the merger with SPAH.

Following the consummation of the merger, as part of the analysis performed in conjunction with the acquisition method of accounting based on SFAS 141(R), SPAH intends to write down approximately \$200 million of Frontier non-performing loans.

**The Merger and the Merger Agreement (page 62)**

SPAH and Frontier have agreed to combine their businesses under the terms of the merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is attached to this joint proxy statement/prospectus as Annex A. Under the terms of the merger agreement, each share of Frontier common stock issued and outstanding at the effective time of the merger will be converted into 0.0530 shares of newly issued SPAH common stock and 0.0530 newly issued warrants of SPAH, having the same terms and conditions as the publicly traded SPAH warrants immediately prior to the effective time of the merger, after giving effect to the warrant amendment proposal. Based on the closing price of SPAH's common stock on July 28, 2009 of \$9.73, which was the last trading day prior to the date of the signing of the merger agreement, Keefe Bruyette calculated an implied consideration of \$0.51569 per share of Frontier common stock. However, based on current market prices, the implied consideration may be less than the market price of Frontier common stock.

SPAH stockholders will continue to own their existing shares of SPAH common stock after the merger, except that upon consummation of the merger, SP Acq LLC has agreed to forfeit 8,987,883 of its founder's shares and Messrs. Bergamo, LaBow, Lorber, Toboroff and Walker have agreed to forfeit an aggregate of 465,530 of their founder's shares.

We cannot complete the merger unless, among other things, we obtain the necessary government approvals, SPAH's application to become a bank holding company is approved, the stockholders of each of SPAH and Frontier approve the merger proposal, SPAH stockholders approve the amendments to SPAH's Amended and Restated Certificate of Incorporation, and SPAH's warrant holders approve the amendment to the Warrant Agreement.

Upon consummation of the merger with Frontier, the funds currently held in SPAH's trust account (less any amounts paid to stockholders who exercise their conversion rights, released as deferred underwriting compensation

**Table of Contents**

and/or used to purchase shares held by SPAH public stockholders who intend to vote against the merger and seek conversion or who otherwise wish to sell their shares) and proceeds from the co-investment will be released to SPAH. SPAH intends to pay any additional expenses related to the merger and hold the remaining funds as capital pending use for general corporate and strategic purposes. Such purposes could include increasing the capital of Frontier Bank, making additional loans, future mergers and acquisitions, branch construction, asset purchases, payment of dividends, repurchases of shares of SPAH common stock and general corporate purposes. Until such capital is fully leveraged or deployed, SPAH may not be able to successfully deploy such capital and SPAH's return on equity could be negatively impacted.

***Reasons for the Merger (pages 66 and 73)***

*SPAH.* In reaching its decision to approve the merger agreement and recommend the merger to its stockholders, the SPAH Board reviewed various financial data, due diligence materials and other information. In addition, in reaching its decision to approve the merger agreement, the SPAH Board considered a number of factors, both positive and negative, including, among others:

financial condition and results of operations of Frontier, including a tangible book value of \$268.8 million, gross loans of \$3.4 billion and total assets of \$4.0 billion as of June 30, 2009;

the growth potential associated with Frontier, including potential for loan growth, enhanced operating margins and operating efficiencies;

the balance sheet make-up and product mix, including the loan and deposit mix of Frontier;

the experience and skill of Frontier's management, including Patrick M. Fahey, the current Chairman and Chief Executive Officer of Frontier who will become Chief Executive Officer of SPAH in the merger;

the interests of certain officers, directors and affiliates of SPAH;

the issuance of the FDIC Order and the Memorandum of Understanding;

the issuance of the FRB Written Agreement; and

the deterioration of Frontier's loan portfolio, centered in its real estate construction and land development loans, including approximately \$764.6 million in nonperforming loans predominately existing in construction real estate loans and land development and \$98.6 million in loan loss reserves as of June 30, 2009.

These factors and others are more fully discussed under the heading "The Merger and the Merger Agreement - Reasons of SPAH for the Merger" beginning on page 66. After reviewing all of these factors, the SPAH Board unanimously determined that the merger proposal and the transactions contemplated thereby are in the best interests of SPAH and unanimously recommended that SPAH's stockholders vote at the special meeting to adopt the merger agreement.

*Frontier.* In reaching its determination to adopt the merger agreement, the Frontier Board consulted with Frontier's management and its financial and legal advisors, and considered a number of factors, including, among others:

the ability of the merger to recapitalize and revitalize Frontier, restore its regulatory capital to well-capitalized levels, and achieve compliance with bank regulatory requirements;



the Frontier Board's assessment of the financial condition of SPAH and of the business, operations, capital level, asset quality, financial condition and earnings of the combined company on a pro forma basis. This assessment was based in part on presentations by Sandler O'Neill, Frontier's financial advisor, and Keefe, Bruyette & Woods, Inc. (Keefe Bruyette), whom Frontier retained solely to render a fairness opinion, and Frontier's management and the results of the due diligence investigation of SPAH conducted by Frontier's management and financial and legal advisors;

the financial and growth prospects for Frontier and its shareholders of a business combination with SPAH as compared to continuing to operate as a stand-alone entity;

**Table of Contents**

the information presented by Sandler O'Neill to the Frontier Board with respect to the merger and the opinion of Keefe Bruyette that, as of the date of that opinion, the merger consideration is fair from a financial point of view to the holders of Frontier common stock (see Opinion of Keefe Bruyette below);

the current and prospective economic, regulatory and competitive environment facing the financial services industry generally, and Frontier in particular, including the continued rapid consolidation in the financial services industry and the competitive effects of the increased consolidation on smaller financial institutions such as Frontier;

the fact that SPAH has agreed to: (i) employ Patrick M. Fahey as Chief Executive Officer of the combined company, and (ii) appoint Mr. Fahey and three other member of the Frontier Board as directors of SPAH and Frontier Bank, which are expected to provide a degree of continuity and involvement by Frontier constituencies following the merger, in furtherance of the interests of Frontier's shareholders, customers and employees;

current conditions in the U.S. capital markets, including the unavailability of other sources of capital, strategic or other merger partners to Frontier;

that directors and officers of Frontier have interests in the merger in addition to their interests generally as Frontier shareholders, including change of control agreements for five of its current executive officers;

the effect of a termination fee of up to \$2.5 million in favor of SPAH, including the risk that the termination fee might discourage third parties from offering to acquire Frontier by increasing the cost of a third party acquisition and, while SPAH has not agreed to pay Frontier any termination fee, Frontier was required to waive any claims against the trust account, if, for example, SPAH breaches the merger agreement;

the risk to Frontier and its shareholders that SPAH may not be able to obtain required regulatory approvals, or necessary modifications to the FDIC Order, the FRB Agreement and the Memorandum of Understanding, and the risk of failing to consummate the transaction;

the SPAH stock and SPAH warrants to be received in exchange for Frontier common stock pursuant to the merger agreement and resulting pro forma ownership levels in relation to the historical trading prices of Frontier common stock, as compared to other possible scenarios in the view of the Frontier Board's financial advisor;

the current condition of Frontier and the future prospects of the business in light of the current economic environment and the likelihood that Frontier would need to raise capital in order to protect against future loan losses and achieve compliance with the FDIC Order and the FRB Agreement;

the fact that Frontier's existing capital resources were limiting management's ability to effectively manage certain problem credits;

uncertainty about how much of SPAH's trust account will be available for working capital after closing; and

the pending regulatory actions against Frontier, Frontier's noncompliance with the capital requirement imposed by the FDIC Order, and their potential adverse impact on the profitability, operations and deposits of Frontier Bank, and the risk of further regulatory action and penalties, including the potential closure of Frontier Bank.

These factors and others are more fully discussed under the heading "The Merger and the Merger Agreement - Reasons of Frontier for the Merger" beginning on page 73. After reviewing all of these factors, the Frontier Board unanimously determined that the merger and the transactions contemplated thereby are in the best interests of Frontier and Frontier's shareholders and unanimously recommended that Frontier's shareholders vote at the Frontier special meeting to approve the merger agreement.

**Table of Contents**

***Frontier Obtained an Opinion that the Merger Proposal Consideration is Fair to Frontier's Shareholders from a Financial Point of View (page 75)***

Keefe Bruyette was retained by Frontier solely to render an opinion to the Frontier Board with respect to the fairness, from a financial point of view, of the merger proposal consideration. Keefe Bruyette rendered an opinion to the Frontier Board that, as of July 29, 2009, the date the Frontier Board voted on the merger proposal, the consideration to be received in the transaction was fair to Frontier's shareholders from a financial point of view. A copy of the opinion delivered by Keefe Bruyette is attached to this joint proxy statement/prospectus as Annex E. Frontier's shareholders should read the opinion completely to understand the assumptions made, matters considered, limitations and qualifications of the review undertaken by Keefe Bruyette in providing its opinion.

***Regulatory Approvals (page 88)***

SPAH and Frontier have agreed to obtain all regulatory approvals required to consummate the transactions contemplated by the merger agreement, which include approval from the Board of Governors of the Federal Reserve System (Federal Reserve) and the Washington DFI, each as detailed below. The merger cannot proceed in the absence of these regulatory approvals. Any approval granted by these federal and state bank regulatory agencies may include terms and conditions more onerous than SPAH's management contemplates, and approval may not be granted in the timeframes desired by SPAH and Frontier. Regulatory approvals, if granted, may contain terms that relate to deteriorating economic conditions both nationally and in Washington; bank regulatory supervisory reactions to the current economic difficulties may not be specific to Bank or SPAH. Although SPAH and Frontier expect to obtain the timely required regulatory approvals, there can be no assurance as to if or when these regulatory approvals will be obtained, or the terms and conditions on which the approvals may be granted.

As noted, the merger is subject to the prior approval of the Federal Reserve. SPAH filed an application with the Federal Reserve on August 12, 2009. In evaluating the merger, the Federal Reserve is required to consider, among other factors, (1) the financial condition, managerial resources and future prospects of the institutions involved in the transaction; and (2) the convenience and needs of the communities to be served, and the record of performance under the Community Reinvestment Act (the CRA). The BHC Act, and Regulation Y promulgated thereunder by the Federal Reserve (Regulation Y), prohibit the Federal Reserve from approving the merger if:

it would result in a monopoly or be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States; or

its effect in any area of the country could be to substantially lessen competition or to tend to create a monopoly, or if it would result in a restraint of trade in any other manner, unless the Federal Reserve should find that any anti-competitive effects are outweighed clearly by the public interest and the probable effect of the merger in meeting the convenience and needs of the communities to be served.

The merger may not be consummated any earlier than the 15th day (or the 5th day if expedited processing is granted by the Federal Reserve) following the date of approval of SPAH's bank holding company application by the Federal Reserve, during which time the United States Department of Justice is afforded the opportunity to challenge the merger on antitrust grounds. The commencement of any antitrust action would stay the effectiveness of the approval of the Federal Reserve, unless a court of competent jurisdiction were to specifically order otherwise.

The merger also is subject to the prior approval of the Washington DFI. SPAH filed an application with the Washington DFI on August 14, 2009. The Washington DFI may disapprove a change of control of a state bank within 60 days of the filing of a complete application (or for an extended period not exceeding an additional 15 days) if it

determines that the transaction is not in the public interest and for other reasons specified under Washington law.

***Expected Tax Treatment as a Result of the Merger (page 191)***

We have structured the merger so that it will be considered a reorganization for U.S. federal income tax purposes. If the merger is a reorganization for U.S. federal income tax purposes, Frontier's shareholders generally will not recognize any gain or loss on the exchange of shares of Frontier common stock for shares of SPAH common stock and SPAH warrants. Determining the actual tax consequences of the merger to a Frontier shareholder may be

## **Table of Contents**

complex. These tax consequences will depend on each stockholder's specific situation and on factors not within our control. Frontier's shareholders should consult their own tax advisors for a full understanding of the tax consequences of their participation in the merger.

If you are a SPAH stockholder and exercise your conversion rights or if you are a Frontier shareholder and exercise your dissenters' rights, you will generally be required to treat the exchange of your shares for cash as a sale of the shares and recognize gain or loss in connection with such sale.

In conjunction with the merger, SPAH warrant holders will vote on whether to amend the terms of their warrants. If the terms of the warrants are amended, a warrant holder will be treated as exchanging his or her old warrants for new warrants in connection with the consummation of the transactions contemplated by the merger agreement. We expect the merger to qualify as a reorganization for U.S. federal income tax purposes. If the merger qualifies as a reorganization for U.S. federal income tax purposes, a warrant holder will not recognize any gain or loss on the deemed exchange of his or her old warrants for new warrants as a result of the amendment.

### ***Accounting Treatment (page 88)***

The merger will be accounted for using the acquisition method of accounting, with SPAH being treated as the acquiring entity for accounting purposes pursuant to the provisions Statement of Financial Accounting Standards No. 141R (SFAS 141R). Pursuant to the requirements of SFAS 141R, SPAH is expected to be the acquirer for accounting purposes because SPAH is expected to own a majority interest upon consummation of the merger and the co-investment. Determination of control places emphasis on the stockholder group that retains the majority of voting rights in the combined entity. If the accounting acquirer cannot be determined based upon relative voting interests, other indicators of control are considered in the determination of the accounting acquirer, including: control of the combined entity's board of directors, the existence of large organized minority groups, and senior management of the combined entity.

SFAS 141R requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the merger date. In addition, SFAS No. 141R establishes that the consideration transferred include the fair value of any contingent consideration arrangements and any equity or assets exchanged are measured at the closing date of the merger at the then-current market price.

### ***The SPAH Board After the Merger (page 86)***

Under the terms of the merger agreement, SPAH will recommend for stockholder approval the election of Warren G. Lichtenstein and, if the merger is consummated, four directors from Frontier, comprised of Patrick M. Fahey, Lucy DeYoung, Mark O. Zenger and David M. Cuthill, each of whom currently serve on the Frontier Board, in each case to serve until the next annual meeting of SPAH and until their successors shall have been elected and qualified. Upon the election of the Frontier nominees to the SPAH Board and, upon consummation of the merger, the SPAH Board will consist of five (5) members, with Mr. Lichtenstein serving as the Chairman of the Board.

### ***The Frontier Bank Board After the Merger (page 86)***

Under the terms of the merger agreement, upon consummation of the merger, the Frontier Bank Board will consist of five (5) directors, comprised of SPAH's designee, John McNamara, to serve as Chairman of the Board, and four (4) directors from Frontier, comprised of Patrick M. Fahey, and three (3) other existing members of the Frontier Bank Board.

### ***Management and Operations After the Merger (page 87)***

Each of the current executive officers of SPAH will resign upon consummation of the merger, other than Warren G. Lichtenstein who will continue to serve as Chairman of the Board, although he will resign as President and Chief Executive Officer of SPAH. The existing management team of Frontier will manage the business of the combined company following the merger.

**Table of Contents**

***Completion of the Merger is Subject to Certain Conditions (page 96)***

Completion of the merger is subject to the satisfaction or waiver of a number of conditions, including the following:

the adoption of the Initial Charter Amendments and the Subsequent Charter Amendments;

the adoption of the warrant amendment proposal by SPAH warrantholders;

the adoption of the merger agreement by SPAH and Frontier stockholders;

no more than 10% (minus one share) of SPAH public stockholders vote against the merger agreement and thereafter exercise their conversion rights;

no more than 10% of the holders of Frontier common stock entitled to vote on the merger exercise their dissenters' rights;

the approval of SPAH's application to become a bank holding company;

receipt of all required regulatory approvals, including the approval of the Federal Reserve and the Washington DFI; and

each of (i) the FDIC Order, (ii) the FRB Written Agreement, and (iii) the Memorandum of Understanding, will have been modified in a manner reasonably acceptable to SPAH, including by the elimination of certain provisions and consequences related thereto.

These conditions and others are more fully discussed under the heading "The Merger and the Merger Agreement – The Merger Agreement – Conditions to the Closing of the Merger". Some of these closing conditions, including the closing condition that no more than 10% (minus one share) of SPAH public stockholders may vote against the merger agreement and thereafter exercise their conversion rights, may be waived by SPAH.

***Termination of the Merger Agreement (page 97)***

Notwithstanding the approval of the merger proposal by SPAH and Frontier stockholders, we can mutually agree at any time to terminate the merger agreement at any time prior to the effective time:

By mutual written agreement of SPAH and Frontier;

By either party if the other party is in breach of any of its representations, warranties or covenants under the merger agreement which cannot be or has not been cured within 5 days after the giving of written notice by the non-breaching party to the breaching party of such breach;

By either party in the event (i) any consent of any regulatory authority required for consummation of the merger and the other transactions contemplated hereby shall have been denied by final nonappealable action of such authority or if any action taken by such authority is not appealed within the time limit for appeal, (ii) any law or order permanently restraining, enjoining or otherwise prohibiting the consummation of the merger shall have become final and nonappealable, (iii) the stockholders of SPAH or Frontier fail to vote their approval of



the matters relating to the merger agreement and the transactions contemplated thereby at SPAH's special meeting of stockholders or Frontier's special meeting of shareholders, respectively, where such matters were presented to such stockholders for approval and voted upon, or (iv) if applicable, holders of 10% or more of the shares sold in SPAH's initial public offering vote against the merger and exercise their conversion rights;

By either party in the event that the merger shall not have been consummated by December 31, 2009, in the event SPAH extends its corporate life beyond October 10, 2009;

By either party if the other party's board of directors fails to reaffirm its approval upon the other party's request for such reaffirmation of the merger or if such other party's board of directors resolves not to reaffirm the merger;

## **Table of Contents**

By either party if the other party's board of directors fails to include in the joint proxy statement/prospectus its recommendation, without modification or qualification, that the stockholders approve the merger or if the party's board of directors withdraws, qualifies, modifies, proposes publicly to withdraw, qualify, or modify, in a manner adverse to the other party, the recommendation that the stockholders approve the merger;

By either party if the other party's board of directors affirms, recommends, or authorizes entering into any acquisition transaction other than the merger or, within 10 business days after commencement of any tender or exchange offer for any shares of its common stock, the other party's board of directors fails to recommend against acceptance of such tender or exchange offer or takes no position with respect to such tender or exchange offer;

By either party if the other party's board of directors negotiates or authorizes the conduct of negotiations (and five business days have elapsed without such negotiations being discontinued) with a third party regarding an acquisition proposal other than the merger; or

By either party if the party terminating is not in material breach of any representation, warranty, or covenant, or other agreement in the merger agreement, and prior to the adoption of the merger proposal by the stockholders, the other party's board of directors has (1) withdrawn or modified or changed its recommendation of approval of the merger agreement in a manner adverse to the terminating party in order to approve and permit the other party to accept a superior proposal and (2) determined, after consultation with, and the receipt of advice from outside legal counsel to the other party, that the failure to take such action as described in the preceding clause (1) would be likely to result in a breach of the board of directors' fiduciary duties under applicable law, provided, however, that at least five business days prior to any such termination, the terminating party shall, and shall cause its advisors to, negotiate with the other party, if such party elects to do so, to make such adjustments in the terms and conditions of the merger agreement as would enable the other party to proceed with the merger on the adjusted terms.

### ***Interests of SPAH's Directors and Officers and Others in the Merger (page 68)***

When considering the recommendations of the SPAH Board, you should be aware that some of SPAH's directors and officers and other have interests in the merger proposal that may differ from the interests of other stockholders:

Warren G. Lichtenstein will serve as the Chairman of the SPAH Board following the consummation of the merger;

John McNamara will serve as Chairman of the Frontier Bank Board following the consummation of the merger;

if the merger is not approved and SPAH is required to liquidate, all the shares of common stock and all the warrants held by the SPAH insiders (including SP Acq LLC and SP II), which, as of the record date, for the shares, were worth approximately \$[ ] per share and approximately \$[ ] in the aggregate and, for the warrants, were worth approximately \$[ ] per warrant and approximately \$[ ] in the aggregate, will be worthless. Since Mr. Lichtenstein, SPAH's Chairman of the Board, President and Chief Executive Officer, may be deemed the beneficial owner of shares held by SP Acq LLC and SP II, he may also have a conflict of interest in determining whether a particular target business is appropriate for SPAH and its stockholders. However, upon consummation of the merger, SP Acq LLC has agreed to forfeit 8,987,883 of its founder's shares and Anthony Bergamo, Ronald LaBow, Howard M. Lorber, Leonard Toboroff and S. Nicholas Walker have agreed to forfeit an aggregate of 465,530 of their founder's shares;

if SPAH liquidates prior to the consummation of a business combination, SP Acq LLC and Mr. Lichtenstein will be personally liable if and to the extent any claims by a third party for services rendered or products sold, or by a prospective business target, reduce the amounts in the trust account available for distribution to SPAH stockholders in the event of a dissolution and liquidation; and

unless SPAH consummates an initial business combination, its officers and directors, its employees, and affiliates of SP Acq LLC and their employees will not receive reimbursement for any out-of-pocket expenses incurred by them to the extent that such expenses exceed the amount of available proceeds not deposited in

**Table of Contents**

the trust account and the \$3.5 million in interest income on the balance of the trust account that has been released to SPAH to fund its working capital requirements.

Each board member was aware of these and other interests and considered them before approving and adopting the merger agreement. Additionally, upon consummation of the merger, the underwriters in SPAH's initial public offering will be entitled to receive approximately \$17.3 million of deferred underwriting discounts and commissions currently held in SPAH's trust account. SPAH is in negotiation with its underwriters regarding the amount and form of payment of such deferred underwriting fees from SPAH's initial public offering. As of the date hereof, SPAH believes that the underwriting fees will be reduced by approximately \$3.65 million and SPAH will continue to negotiate a further reduction of such fees until a mutual settlement can be reached. The results of these negotiations are uncertain since the underwriters can discontinue negotiations with SPAH at any time and require the full amount of their fees payable upon consummation of the merger. If the merger is not consummated and SPAH is required to liquidate, the underwriters have agreed to forfeit any rights or claims to their deferred underwriting discounts and commissions then in the trust account, and those funds will be included in the pro rata liquidation distribution to the SPAH public stockholders.

***Certain Benefits of Directors and Officers of Frontier (page 81)***

When considering the recommendations of the Frontier Board, you should be aware that some directors and officers have interests in the merger proposal that differ from the interests of other shareholders, including the following:

*Stock Ownership.* The directors, executive officers and principal shareholders of Frontier, together with their affiliates, beneficially owned, as of the record date for the special meeting, a total of 3,103,451 shares of Frontier common stock, including 253,154 shares of restricted stock that has or will be vested at the time of the merger, representing 6.56% of the total outstanding shares of Frontier common stock;

*Change of Control Agreements.* Frontier is a party to change of control agreements with five of its current executive officers, John J. Dickson, Carol E. Wheeler, R. James Mathison, Robert W. Robinson and Lyle E. Ryan. These agreements generally provide that in the event of a termination of employment in connection with, or within 24 months after, a change of control, for reasons other than cause, the executive will receive a lump sum payment on the first day of the seventh month after the termination of his or her employment in an amount equal to two times the amount of his or her salary and bonus for the twelve months prior to the effective date of the change of control and will continue to be covered by applicable medical and dental plans for 24 months following termination of employment. In the event an executive, after attaining age 60, voluntarily retires within 12 months following a change of control, the executive will receive a lump sum payment equal to one times the amount of his or her salary and bonus, and will continue to be covered by applicable medical and dental plans for 12 months following termination of employment. The maximum aggregate amount of such payments (based on two times their salaries and bonuses) due to Messrs. Dickson, Mathison, Robinson and Ryan, and Ms. Wheeler, upon such termination of their employment would be \$698,250, \$419,250, \$409,500, \$518,020, and \$368,250, respectively.

In addition, the vesting of restricted stock awards granted under Frontier's 2006 Stock Option Plan will accelerate upon the effective time of the merger.

*Insurance and Indemnification.* SPAH has agreed to use reasonable best efforts to maintain Frontier's existing policies of directors and officers liability insurance (or at SPAH's option, obtain comparable coverage under its own insurance policies) for a period of six years after the merger with respect to claims arising from facts or events which occurred prior to the effective time of the merger, subject to a maximum premium limit of \$1,150,000. SPAH has also agreed to continue to provide for the indemnification of the former and current

directors, officers, employees and agents of Frontier for six years after the merger.

*Certain Employee Matters.* The merger agreement contains certain agreements of the parties with respect to various employee matters.

At and following the effective time of the merger, SPAH will assume and honor certain Frontier severance and change of control agreements that Frontier had with its officers and directors on July 24, 2009.

**Table of Contents**

***Transfer Restrictions of SPAH Insiders and Frontier Insiders upon Consummation of the Merger (pages 68 and 88)***

*SPAH Insiders.* Upon consummation of the merger, SP Acq LLC has agreed to forfeit 8,987,883 of the 9,653,412 founder's shares it owns and Messrs. Bergamo, LaBow, Lorber, Toboroff and Walker have agreed to forfeit an aggregate of 465,530 of the 500,000 founder's shares they own. The SPAH insiders previously agreed not to sell or transfer their founder's units and the founder's shares and initial founder's warrants comprising the founder's units (including the common stock to be issued upon the exercise of the initial founder's warrants) for a period of one year from the date the merger is consummated, except in each case to permitted transferees who agree to be subject to the same transfer restrictions. The Steel Trust has agreed to be subject to these transfer restrictions.

SP II has previously agreed not to sell or transfer the co-investment units, co-investment shares or co-investment warrants (including the common stock to be issued upon exercise of the co-investment warrants) until one year after SPAH completes the merger except to permitted transferees who agree to be bound by such transfer restrictions. The Steel Trust has agreed to be subject to these transfer restrictions. We refer to these agreements with the SPAH insiders and their permitted transferees as "lock-up agreements."

*Frontier Insiders.* The Frontier insiders have agreed not sell, pledge, transfer or otherwise dispose of the shares of SPAH common stock and SPAH warrants for a one year period ending on the first anniversary of the consummation of the merger.

***Comparative Rights of Stockholders (page 204)***

The rights of SPAH stockholders are currently governed by Delaware law, the SPAH Certificate of Incorporation and the bylaws of SPAH (the "SPAH Bylaws"). The rights of Frontier's shareholders are currently governed by Washington law and Frontier's amended and restated articles of incorporation (the "Frontier Articles of Incorporation") and 2003 restated bylaws (the "Frontier Bylaws"). Upon consummation of the merger, the stockholders of Frontier will become stockholders of SPAH and the SPAH Certificate of Incorporation, as proposed to be amended and restated, the SPAH Bylaws and Delaware law will govern their rights. The SPAH Certificate of Incorporation and SPAH Bylaws differ somewhat from those of Frontier. Material differences include:

The SPAH Bylaws provide that a director can be removed with or without cause by a majority vote of the holders of the outstanding shares then entitled to vote at an election of directors; in comparison, the Frontier Articles of Incorporation provide that a director may be removed only for cause by the holders of not less than two-thirds of the shares entitled to elect the director whose removal is sought.

The Frontier Articles of Incorporation and Frontier Bylaws divide the Frontier Board into three classes of directors, as nearly equal as possible, with each class being elected to a staggered three-year term; in comparison, SPAH does not have a staggered board and each director is elected for a term that expires at the next annual meeting of stockholders.

SPAH has elected not to be governed by Section 203 of the Delaware General Corporation Law (the "DGCL"), which limits business combinations, including mergers, with an "interested stockholder"; in comparison, under the WBCA, Frontier is prohibited, with certain exceptions, from engaging in certain "significant business transactions" with a person or group of persons beneficially owning 10% or more of its voting securities for a period of five years after the acquisition of such securities, unless the transaction or acquisition of shares is approved by a majority of the members of the board of directors prior to the date on which the acquiring person

first obtained 10% share ownership.

After the merger with Frontier is completed, adoption of a subsequent merger agreement or consolidation of SPAH with a different entity will require the affirmative vote of the holders of a majority of the outstanding shares of SPAH common stock entitled to vote; in comparison, certain mergers and share exchanges of Frontier must be approved by holders of at least two-thirds of the outstanding shares entitled to vote thereon.

For a more complete description of the difference between the rights of the stockholders of SPAH and the rights of shareholders of Frontier, please refer to the section entitled Comparative Rights of SPAH and Frontier.

**Table of Contents**

**RISK FACTORS**

*You should carefully consider the following risk factors, together with all of the other information included in this joint proxy statement/prospectus, before you decide whether to vote or instruct your vote to be cast to approve the proposals described in this joint proxy statement/prospectus.*

**Risks Related to the Business of Frontier**

***The continued downturn in Frontier's real estate market areas and weakness in the economy could adversely affect Frontier's financial condition and profitability.***

The Washington and Oregon economies and real estate markets experienced a significant, dramatic downturn in the past year, and with significant declines in real estate values. Average home sale prices declined by 16.1% year over year in Washington as of June 30, 2009, and 13.4% year over year as of December 31, 2008 and average home sale prices had declined by 9.8% year over year in Oregon as of September 30, 2008, according to data published by the National Association of Realtors, while home sales slowed significantly declining by 19.8% and 15.2% in Washington and Oregon, respectively. Unemployment increased by 3.8% to 9.1% in Washington over the twelve months ended June 30, 2009, and by 5.6% to 11.9% in Oregon over the same period, according to the National Bureau of Labor Statistics, while according to RealtyTrac foreclosures rose by 94% and 84% in Washington and Oregon, respectively.

Frontier is currently operating in a challenging and uncertain economic environment, both nationally and locally. Like many other financial institutions, Frontier is being affected by sharp declines in the real estate market, constrained financial markets and a weak economy. Continued declines in real estate values and home sales and financial stress on borrowers as a result of the uncertain economic environment, including job losses, could have an adverse effect on Frontier's borrowers or their customers and demand for Frontier's products and services, which could adversely affect Frontier's financial condition and earnings, increase loan delinquencies, defaults and foreclosures, and significantly impair the value of Frontier's collateral and its ability to sell the collateral upon foreclosure.

***Frontier is experiencing deterioration in its loan portfolio, centered in its residential construction and land development loans.***

As of June 30, 2009, approximately 85.4% of Frontier's loan portfolio was comprised of loans secured by real estate. Of this 85.4% of real estate loans, 35% are commercial real estate loans, 21% are residential construction loans, 16% are land development loans, 15% are term 1-4 family residential loans, 9% are lot loans and 4% are commercial construction loans. Frontier has been experiencing deterioration in its loan portfolio, centered in its residential construction and land development loans. Many of these loans are maturing and classified as nonperforming assets while Frontier works with the borrowers to maximize its recovery. If loan payments from borrowers are over 90 days past due, or sooner if normal repayment cannot resume, the loans are placed on nonaccrual status, thereby reducing and/or reversing previously accrued interest income. From third quarter 2008 to June 30, 2009, Frontier's nonperforming and nonaccrual loans increased significantly, from \$205.2 million to \$764.6 million, \$513.2 million of which were residential construction and land development loans, which represent 43.1% of Frontier's residential construction and land development loans. The contraction or expansion of Frontier's nonaccrual loan portfolio and other real estate owned (OREO) properties in future periods will depend upon the company's ongoing collection efforts and changes in market conditions. Frontier has a dedicated a team of 38 employees focused on the management of problem loans, but there is no guarantee that this team will be able to effectively manage the amount of problem loans Frontier may encounter in the future. Additional information regarding credit risk is included in Information About Frontier Management's Discussion and Analysis of Financial Condition and Results of Operations Loans.





**Table of Contents**

***Frontier's management believes that there is the potential for additional loan losses beyond those recognized as of June 30, 2009, particularly with respect to Frontier Bank's construction and land development portfolio, and these losses could be significantly greater than management presently expects, particularly if economic conditions deteriorate further.***

Frontier Bank's loan portfolio and allowance for loan losses are assessed each quarter by management, and were subject to recent examinations by its federal and state regulators. Further, in its efforts to refine Frontier Bank's assessment of inherent risk in Frontier Bank's loan portfolio, Frontier Bank has performed extensive reviews and analyses. As a result of these reviews and analyses, assuming a continuing weak economy, Frontier believes the potential for additional deterioration in the Bank's loan portfolio may result in additional loan losses of approximately \$200 million, primarily as a result of decreased residential and commercial real estate values, increased financial stress on borrowers, bankruptcies and related expenses of collection, foreclosure and OREO, and such losses can be further increased if the adverse economic conditions become more severe or continue longer than Frontier anticipates. Any such additional loan losses, should they occur, would adversely affect Frontier's financial condition and profitability.

***Due to unforeseen circumstances and/or changes in estimates, Frontier's allowance for loan losses may not be adequate to cover actual losses.***

An essential element of Frontier's business is to make loans. Frontier maintains an allowance for loan losses that it believes is a reasonable estimate of known and inherent losses within the loan portfolio. At June 30, 2009, Frontier's allowance for loan losses was \$98.6 million or 2.89% of its total loans of \$3.4 billion. The determination of the appropriate level of loan loss allowance as well as the appropriate amount of loan charge-offs (net of loan recoveries) is an inherently difficult process and is based on numerous assumptions and there may be a range of potential estimates. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in Frontier's real estate markets and interest rates that are beyond Frontier's control. Frontier's underwriting policies, credit monitoring processes and risk management systems and controls may not prevent unexpected losses. In addition, bank regulators periodically review Frontier's allowance for loan losses and may require Frontier to increase its provision for loan losses or recognize further loan charge-offs.

While SPAH has reviewed Frontier's loan portfolio, allowance for loan losses, loan charge-offs and loan recoveries, there is no precise method for predicting credit losses since any estimate of loan losses is necessarily subjective and the accuracy depends on the outcome of future events. Upon consummation of the merger, management of the combined company will make its own independent evaluation of the loan portfolio and make adjustments to the loan loss allowance as necessary. The allowance for loan losses may be further changed upon the continued review of bank regulators. Although SPAH believes, based on its review of Frontier's loan portfolio, that upon a post merger evaluation of the loan portfolio the combined company will have sufficient capital following the consummation of the merger to absorb potential increases in loan charge-offs, while maintaining adequate capital ratios, there can be no assurance that any revised allowance for loan losses will be adequate to cover actual loan losses. Any significant increases in the allowance for loan losses would adversely affect the capital base and earnings of the combined company.

***Defaults and related losses in Frontier's residential construction and land development loan portfolio could result in a significant increase in OREO balances and the number of properties to be disposed of, which would adversely affect Frontier's financial results.***

As part of Frontier's collection process for all nonperforming real estate loans, the company may foreclose on and take title to the property serving as collateral for the loan. Real estate owned by Frontier and not used in the ordinary course of its operations is referred to as other real estate owned (OREO) property. Frontier expects to take additional properties into OREO. Increased OREO balances lead to greater expenses as the company incurs costs to manage and

dispose of the properties and, in certain cases, complete construction of improvements prior to sale. Any decrease in sale prices on properties may lead to OREO write-downs with a corresponding expense in Frontier's income statement. Frontier's management expects that earnings over the next several quarters could be negatively affected by various expenses associated with OREO, including personnel costs, insurance and taxes, completion and repair costs, and other costs associated with property ownership, as well as by the funding costs

## **Table of Contents**

associated with assets that are tied up in real estate during the period they are held in OREO. The management and oversight of OREO is time consuming and can be complex and can require significant resources of Frontier's management and employees. Frontier will also be at risk of further declines in real estate prices in the market areas in which the company conducts its lending business.

***Restrictions imposed by regulatory actions could have an adverse effect on Frontier and failure to comply with any of its provisions could result in further regulatory action or restrictions.***

The businesses and operations of Frontier and its subsidiary, Frontier Bank, are currently subject to regulatory actions, including the FDIC Order and the FRB Written Agreement, which, for example, generally prohibit Frontier Bank from paying dividends (effectively prohibiting any dividends by its holding company, Frontier, because substantially all earnings of Frontier are derived from Frontier Bank), repurchasing stock, retaining new directors or senior managers or changing the duties of senior management, paying management or consulting fees or other funds to Frontier, and extending additional credit with respect to nonperforming and adversely classified loans which management believes, complicates the workout of troubled loans. The FDIC Order also requires Frontier Bank to raise its Tier 1 leverage capital ratio to a higher than normal level of 10% of its assets, by July 29, 2009, and to maintain that capital level, in addition to maintaining a fully funded allowance for loan losses satisfactory to the FDIC and the Washington DFI. These and other regulatory actions are described in more detail in Information About Frontier Management's Discussion and Analysis of Financial Condition and Results of Operations Regulatory Actions. The FDIC identified deficiencies in the management and supervision of Frontier Bank that primarily relate to loan underwriting, procedures and monitoring, excessive concentrations in construction and land development loans, and related concerns about Frontier Bank's capital and liquidity. Management believes it has addressed the concerns and that it is in compliance with all the requirements of the FDIC Order and the FRB Written Agreement, other than the Tier 1 capital requirement for Frontier Bank. Frontier believes it can increase its Tier 1 capital to compliance levels with the consummation of the merger. However, these regulatory actions and any future actions could continue to limit Frontier's growth and adversely affect its earnings, business and operations. In addition, failure to comply with these regulatory actions or any future actions could result in further regulatory actions or restrictions, including monetary penalties and the potential closure of Frontier Bank.

***Frontier's profitability and the value of stockholder's investments may suffer because of rapid and unpredictable changes in the highly regulated environment in which Frontier operates.***

Frontier is subject to extensive supervision by several governmental regulatory agencies at the federal and state levels in the financial services area. See Supervision and Regulation. Recently enacted, proposed and future legislation and regulations have had, and will continue to have, or may have a significant impact on the financial services industry. These regulations, which are generally intended to protect depositors and not stockholders, and the interpretation and application of them by federal and state regulators, are beyond Frontier's control, may change rapidly and unpredictably and can be expected to influence earnings and growth. For example, the FDIC and the Federal Reserve recently issued joint Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices that sets forth supervisory criteria to assist bank examiners in identifying banks with potentially significant commercial real estate loan concentrations that may warrant greater supervisory scrutiny. The Guidance applies to Frontier Bank, based on Frontier's current loan portfolio, and Frontier's management expects that the company's business and operations will be subject to enhanced regulatory review for the foreseeable future. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on operations, the classification of assets and determination of the level of allowance for loan losses. Frontier's success depends on Frontier's continued ability to maintain compliance with these regulations. Increased regulation and supervision of the banking and financial industry as a result of the existing financial crisis. Such additional regulation and supervision may increase our costs and limit our ability to pursue business opportunities.



**Table of Contents**

***Market and other constraints on Frontier's construction loan origination volume are expected to lead to decreases in the company's interest and fee income that are not expected to be fully offset by reductions in its noninterest expenses.***

Due to existing conditions in housing markets in the areas where Frontier operates, the recession and other factors, Frontier projects the company's construction loan originations to be materially constrained in 2009 and beyond. Additionally, management's revised business plan will de-emphasize the origination of construction loans. This will lower interest income and fees generated from this part of Frontier's business. Unless this revenue decline is offset by other areas of Frontier's operations, the company's total revenues may decline relative to its total noninterest expense. Frontier expects that it will be difficult to find new revenue sources in the near term to completely offset expected declines in the company's interest income. In that regard, the adverse economic conditions that began in 2007 and that have continued into 2009 have significantly reduced Frontier's origination of all new loans, and Frontier's management cannot assure you that the company's total loans or assets will increase or not decline in 2009.

***Fluctuations in interest rates could reduce Frontier's profitability and affect the value of its assets.***

Frontier's earnings and cash flows are largely dependent upon the company's net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond Frontier's control, including but not limited to; general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence not only the amount of interest Frontier receives on loans and securities and the amount of interest Frontier pay on deposits and borrowings, but such changes could also affect the company's ability to originate loans and obtain deposits as well as the fair value of its financial assets and liabilities. If the interest Frontier pays on deposits and other borrowings increases at a faster rate than the interest it receives on loans and other investments, Frontier's net interest income, and therefore earnings, could be adversely effected. Earnings could also be adversely affected if the interest Frontier receives on loans and other investments fall more quickly than the interest it pays on deposits and other borrowings.

***Concern of customers over the safety of their deposits may cause a decrease in deposits.***

With recent increased concerns about bank failures, customers increasingly are concerned about the safety of their deposits and the extent to which their deposits are insured by the FDIC. Customers may not believe Frontier is a safe place to keep their deposit accounts and they may remove their deposit accounts. Additionally, customers may withdraw deposits from Frontier Bank in an effort to ensure that the amount they have on deposit at Frontier Bank is fully insured. Decreases in deposits may adversely affect Frontier's funding costs, liquidity and net income. In addition, if the FDIC reduces the limit on FDIC coverage to \$100,000 per account after December 31, 2013, customers may become increasingly more concerned about the safety of their deposits.

***Liquidity risk could impair Frontier's ability to fund operations and jeopardize the company's financial condition.***

Liquidity is essential to Frontier's business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on Frontier's liquidity. Frontier's access to funding sources in amounts adequate to finance the company's activities or the terms of which are acceptable to the company could be impaired by factors that affect us specifically, including our existing regulatory agreements, or the financial services industry in general. Factors that could detrimentally impact Frontier's access to liquidity sources include a decrease in the level of the company's business activity as a result of weak economic conditions in the western Washington and Oregon markets in which Frontier's loans are concentrated or additional adverse regulatory action against the company. Frontier's ability to borrow could also be impaired by factors that are not specific to Frontier, such as a

disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the turmoil currently faced by financial institutions and the continued deterioration in credit markets and the economy. Additional information regarding liquidity risk is

**Table of Contents**

included in Information About Frontier Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity Resources.

***Strong competition within its market areas may limit Frontier's growth and adversely affect the company's operating results.***

The banking and financial services industry is highly competitive. Frontier competes in its market areas with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Some of these competitors have substantially greater resources and lending limits than Frontier, have greater name recognition and market presence that benefit them in attracting business and deposits, and offer certain services that Frontier does not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than Frontier. Frontier's results of operations depend upon the company's continued ability to successfully compete in its market area. The greater resources and deposit and loan products offered by some of Frontier's competitors may limit the company's ability to increase or maintain its interest earning assets.

***Frontier will be required to pay significantly higher FDIC premiums in the future.***

Recent insured institution failures, as well as deterioration in banking and economic conditions, have significantly increased FDIC loss provisions, resulting in a decline in the designated reserve ratio to historical lows. The FDIC expects a higher rate of insured institution failures in the next few years compared to recent years; thus, the reserve ratio may continue to decline. In addition, the FDIC temporarily increased the limit on FDIC coverage to \$250,000 through December 31, 2013. These developments will cause the premiums assessed to us by the FDIC to increase. Under the final rule adopted December 16, 2008, Frontier Bank's assessment rate will increase from 5 to 7 basis points per \$100 of deposits to approximately 31 to 38 basis points in 2009. The increased deposit insurance premiums are expected to result in a significant increase in our non-interest expense, which will have a material impact on our results of operations beginning in 2009.

***Frontier continually encounters technological change.***

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Frontier's future success depends, in part, upon the company's ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the company's operations. Many of Frontier's competitors have substantially greater resources to invest in technological improvements. Frontier may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to the company's customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on Frontier's financial condition and results of operations.

***Frontier is exposed to risk of environmental liabilities with respect to properties to which it takes title.***

Approximately 85.4% of Frontier's outstanding loan portfolio at June 30, 2009 was secured by real estate. In the course of its business, Frontier may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. Frontier may be held liab